OBL:HO:SEC:00: New Delhi : 31.01.2024

BSE Limited
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Mumbai - 400 001

Stock Code - 530365

National Stock Exchange of India Ltd.
Exchange Plaza,
Plot No. C/1, G Block,
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Mumbai-400 051

Stock Code: ORIENTBELL

Sub: Transcript of Post Earnings Call for Q3 9M FY24 held on 23rd January, 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 23rd January, 2024 post announcement of unaudited financial results of the Company for the quarter and nine months ended December 31, 2023.

The transcript of the Post Earnings Call for Q3 9M 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.

Yours faithfully,
For Orient Bell Limited

YOGESH MENDIRATTA
Digitally signed by YOGESH MENDIRATTA
Date: 2024.01.31 15:50:11 +05'30'

Yogesh Mendiratta
Company Secretary & Head - Legal

Encl: as above

"Orient Bell Limited

Q3 and 9M FY'24 Earnings Conference Call"

January 23, 2024

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

MODERATOR: **MR. SUYASH SAMANT – STELLAR IR ADVISORS**

Moderator: Ladies and gentlemen, good day and welcome to the Orient Bell Limited Q3 and 9Months FY24 Earnings Conference Call. 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 and then zero on your touchtone 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 Stellar IR Advisors. The management will be sharing key updates and financial highlights for the quarter ended December 31, 2023, 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 anyway responsible for any actions taken based on such statements and undertake no obligations to publicly update these forward-looking statements. Documents relating to the company's financial performance are available on the website of the stock exchanges and the 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: Thank you. Good afternoon, ladies and gentlemen, and welcome to our quarter 3 FY24 Earnings Conference Call. It has been another tough quarter for us, with the marketplace being sluggish and a challenging operating environment. There is no doubt that the top line in this quarter has not been up to the mark.

We still have some positives in Q3. For one, our GVT salience has increased to 30% and we now do 50% of our sales in vitrified. This reflects the fact that our investments at Dora have now started contributing towards the premiumization of our product portfolio. The Dora investment has come at the right time as consumer preference is rapidly shifting from ceramics to GVT.

Our contribution margins have improved, our gross contribution margins have improved both on a sequential and a year-on-year basis. After 46 years, we have launched an aggressive mass media outreach, making our presence felt across the country, covering nine languages, with a disproportionate focus on South and West, where we have significant headroom to grow.

Our TV campaign reinforces the strategy of making tile buying and selling easier by focusing on our unique price discovery tools, visualization and a wide product range. In our research, consumers identify these benefits as most relevant to them and our TV commercial builds on these benefits.

Our dealers and employees are seeing an increased inquiry and footfall and we are confident that this will help us in premiumization objective and to grow our top line. We are confident that our message will be heard across the nation and will eventually help in increasing demand in the coming time, as and when the demand for tiles pick up, which we hope will come over the next few quarters. Because the real estate cycle comprising of land acquisition, cement, steel, pipes, electricals, cables, etc, are better and tiles is one of the last products which is used up in this cycle.

When this happens, we will be ready with our increased capacity and our brand fuelled demand and of course improved distribution channels. This TV campaign has come at a significant cost for now, but we have decided to take the financial hit head on and continue to invest in building our brands so that when the markets turn for the positive, we would be able to gain disproportionately.

With this, I request our CFO Himanshu Jindal for the financial updates. Over to you Himanshu.

Himanshu Jindal: Thank you. Good afternoon all. As Aditya mentioned, this was a very tough quarter, which is the case. So, we obviously had challenges on volume development, largely ceramics, which kind of dragged profitability. But at the same time, we had a few positives as well. Aditya mentioned about our contribution margins expanding and this is exactly what happened on a YOY or a sequential basis.

You have both the numbers in our IR deck, up to 2.5%. And this is primarily led by A, the lower energy cost on a YOY basis. So incidentally, gas costs have marginally moved up sequentially, but we had enough opening finished goods inventory, which kind of ensured that we were hedged at least from a quarter three perspective. There is also improvement in our consumption efficiencies, which is something that we have been focusing on.

And there is also an improvement in the product mix, which GVT salience going up by 7%, which kind of justifies the investments that we have now made in Dora. Secondly, there is also higher allocation to support the new TV campaign and the brand-ex that we are trying to build here. So, we have spent 7.1% of our revenues, which is double the run rate of our on-going investments and marketing. Largely, digital was what we were doing earlier. And like Aditya mentioned, we have kind of expanded our horizon and gone to TVCs now.

EBITDA on a like-for-like basis, after excluding the impact of these higher marketing branding investments, was INR7.8 crores, which is 4.8%, so a little higher than what we had in quarter two, which was 3.8%. So, quarter three cash flow from operations was kind of ploughed back to fund these increased investments reported EBITDA, thus being INR1.3 crores, while we had a reported consolidated PAT loss of INR 3.4 crores now.

YTD December, we still are carrying a consolidated PAT loss of around the same amount. More balance sheet support has been extended in quarter three specifically to support sales. So, we've been doing it all this while. We have done it more now in quarter three. So, credit to markets have been opened up further, and our inventories have also been stocked up, primarily to support additional GVT from Dora for our south and west operations.

Despite the increase on DSO and DIO, our working capital cycle is still intact. It's around 26 days for quarter three end while we do have a small debt coming into our books now for the GVT capex that we undertook. This ensures that we still have enough headroom to quickly adapt for scale-up, as and when more and more opportunities become available, again to gain RMS.

With this, I think we can ask the moderator to open the lines for Q&A. Thank you.

Moderator: Thank you. The first question is from the line of Shubham Upadhyay from Microcap Minute. Please go ahead.

Shubham Upadhyay: Thank you for the opportunity. Am I audible?

Aditya Gupta: Yes, please. Yes, Shubham, please go ahead.

Shubham Upadhyay: Yes, so my first question is, how do you see the gas cost in the near-term future? My second question is, the company has taken an additional INR16 crores net debt. How much will be used to fund the Dora capex? How much of the fund will be used for it? These are my two questions for now.

Himanshu Jindal: Okay. Shubham, your first question first. Gas cost, no one knows, to be honest. We have seen gas costs going up this quarter. There is a INR3-INR4 increase which has come into play. I think across locations, except in Dora where we already have APM. So, that's number one.

You are aware of the geopolitical crisis that is there across locations. The geopolitical crisis is something that you already are aware of.

Now, how much would it impact crude or natural gas? Anybody's guess is at the moment. Crude and natural gas are unaffected so far. There was a bit of a spike coming in early Jan. But since then, largely okay. Offshore, onshore, I don't think there is anything which is happening immediately, for sure. Whatever happens with the choke points, as I call them, in the global trade, you and me don't have a control there.

So, let's see how things develop there. More importantly, now coming to the debt. So, yes, debt has gone up. And this is being done for this particular project, the Dora project. And there are still some payments which are supposed to go out. You might have seen our investor release, the presentation that we have uploaded to stock exchanges. So, largely my debt is all long-term. It is, like I said, to fund the Dora, GVT project.

Shubham Upadhyay: Okay, so 100% of the debt which recently has been taken up is for the Dora capex only? Or is it going to like marketing and investment?

Himanshu Jindal: No, no. So, you see my total net debt is around 36-37. Of which 35 is my long-term loan for the Dora project. Yes, I've got moratorium, I've got etcetera, etcetera. involved there. But more importantly, only INR1 crores or INR2 crores on working capital. Like I said, I've always been very efficient on working capital. Despite giving the support on credit and putting in more and more stocks into our factories. So, that I'll continue to do. That is something that is core to us.

Shubham Upadhyay: Okay, okay. Thank you. That answers my question. I will get back in the queue.

Himanshu Jindal: Thank you.

Moderator: Thank you. The next question is from the line of Darshit from RoboCapital. Please go ahead.

Darshit: Yes, thanks for taking my questions. So, firstly, my question is quite general. I just wanted an overview or you can call it an internal target or anything like that. Or for revenue growth going forward next one or two years. And by what time will we be able to get to the 9%, 10% margin that we've been doing? And if yes, then by which quarter?

Himanshu Jindal: Can you repeat your first question? The first part of the question, please.

Darshit: Yes, so revenue growth.

Aditya Gupta: Revenue growth and second part was about margin. I think both of your questions are linked, so I'll try to answer them as one this thing. Of course, we expect, we have been adding capacity in the last two, three years. We have invested a lot of money to convert line to increase our GVT capacity. And this is keeping in mind an expectation that the volumes are going to improve.

In the short run, we have suffered because the drop in ceramics, which used to be 60%, 70% of our business a couple of years back, has been much more steeper than the ramp up on GVT. But this is something which is going to have a lesser and lesser impact on us because as I already mentioned, we are sitting at now 50-50 in terms of the vitrified ceramic split.

Having said this, coming to the margin piece, Himanshu already spoke about gas and the uncertainties and all which could be there. So, I'm not getting into that. It will happen for everybody in the industry. For us, operating leverage is extremely critical. So, as we grow our revenues, there would be an immediate positive swing in our margins.

You've already seen how our gross margins have been increasing. Himanshu already spoke about that in his opening statement. Substantially from say, from quarter two of this financial year to quarter three. Thank you.

Darshit: Okay, great. So, margins will improve and the key drivers would be, first of all, revenues if they grow. And second would be the gas price, right?

Himanshu Jindal: Darshit, let me try and simplify this for you. You asked two questions. Let me try and put it in my own words, right. You know that we've added some 7.5 million capacity over the last two, three years. Bulk of which has actually come in, actually in quarter three. So, 3.3 of the 7.5 is coming only now in quarter three. So, these are largely, let me say, headroom for future growth.

So, we have invested our own money and yes, we have borrowed a little bit too to build up capacities. And let me say the ramp up of these capacities was envisaged at a particular rate. Unfortunately, it hasn't happened for multiple reasons, external, internal. And we are working out solutions. So, this will happen over a period of time and with that, scale comes into play. That should help.

More importantly on gross profit margins, obviously, one is the price side of things. The other is the cost side of things, right? You are largely in control of your own cost more in terms of consumption parameters, correct? So, this is something that we have been controlling and this is why you see our results improving. Even if you wish to compare us with competition, which I love to do internally for our own selves to know where we are vis-a-vid all put together.

You would generally see over the last 10 odd quarters that our gross profit margins have not been bad. They are amongst the top one or two results. So, I think this is what we intend to do always, unless there are exceptional reasons, things that we can't control. EBITDA is obviously a number that most of us track, but I think you know that I focus more on free cash flow generations, right? And for me, that is critical.

This is something that we have been monitoring very well since the time at least I came on the table. And you know we were doing some calculations at our end just to see how good or bad are we. And we realized that over the last four, four and a half years, we have paid down our debt. We have built up more capacity. We have invested into branding and we have done whatever else is needed, whether it's a payment of dividends, interest or taxes, etc. All of that cash flow is still pretty robust, even counting in the bad times that we have seen over the last two or three quarters now. So, it's all double digits, more than 12%. I think that is what we need to focus on. And this is what we are focusing on. Does it help you get a better perspective of what we are trying to do here?

Darshit: Yes, yes. Very nice. And thank you for the detailed explanation and all the best for the future.

Himanshu Jindal: Thank you.

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

Miraj: Thank you for the opportunity, Aditya sir and Himanshu sir. Nice speaking to you again, Himanshu sir. I have a few questions. The operator can ask me to get back in the queue, but I have a lot of questions.

Firstly, in terms of demand, I wanted to understand that as per our guidance, the ceramic side of business is drawing down the margins, while on the vitrified side, we've now reached 50% of the business, of the volumes. And if I were to look at our capacity utilization, it comes around to 43%. So, what I'm perceiving from this is that there's a fall in demand of ceramics and a rise in demand of vitrified. But can't we fasten the process of vitrified sales over here because the capacity utilization seems low compared to what the commentary actually is?

Himanshu Jindal: So, capacity utilization, I don't know where you're getting the number from, Miraj. Our capacity utilizations for quarter three were very close to 65%. Just to give you an understanding of where this industry is today, even in quarter three last year, Morbi was operating around the same levels. for most of the year, actually.

So, industry capacity utilizations have also been very low. When I say capacity utilizations, I mean without adding stocks, selling in the market, right? This is obviously not optimal. We should aim for 90%-95%. This is very clear. And this is what we are working on. May be Aditya can share on the demand side as to how he's seeing things happen. May be Aditya?

Aditya Gupta: Thanks. Miraj, so the trend that you're talking about of ceramics slowing down and the market preferences moving towards vitrified tiles is absolutely right. That trend is happening and accelerating. Also, with a lot of price competition from Morbi, today our vitrified tile would be available to a dealer at a rate at which he was buying, say, a ceramic tile two years, three years back.

That is also speeding up the adoption of vitrified or the replacement of ceramics with vitrified. Our organic capacity, leaving aside the two JVs associated entities we have, is almost two-thirds ceramic and one-third GVT. Our GVT utilization, capacity utilization, are much higher than what the overall capacity utilizations are.

And we have on the GVT piece also, which is the growing part of the market, we have considerable headroom in terms of capacities to grow, especially after the start of Dora GVT last quarter, the new line there. So, I think from that perspective, we are well-positioned for growth once the market turns back and some of our challenges we have been able to resolve.

Miraj: Understood. Okay. So, of the 36.9 million square meter capacity that we have, one-third is GVT. So, since there is more demand on GVT, is it possible for us…

Aditya Gupta: No, Miraj, just let me correct you please. That 36.9 million square meter includes our associated entities. Out of that 37 million, my own manufacturing capacity is 27 million. So out of the 27 million, it is basically very broadly one-third to touch.

Himanshu Jindal: So may be just to add again, Miraj. The 10 million capacity that we have with our associated entities, please do appreciate that these are minority JVs. So, we have a minority stake there, ranging from 21% to 26%. So, we are not really the active partner in that JV, but yes, we have a right of refusal in terms of taking all the product that they produce. Right?

Miraj: Right.

Himanshu Jindal: All the supplies, but we are not really on the driver's seat there.

Miraj: Right. So, I think there are two JVs that we have, and one of them is for vitrified tiles and one of them is for ceramics. So, what is the break between them, the breakup between them out of 10 million?

Himanshu Jindal: Okay. So, Proton, both of them are almost equal size. One produces, like you rightly said, vitrified, double-charged largely. The other produces wall tiles, which is what we use for our South and West operations. They are almost equal size.

Miraj: Understood. Okay. And sir, so -- yes, there was one mistake on my end. Yes, the volume is 65% of capacity utilization. How quickly can we ramp this up to our optimum utilization? Because I believe that the demand is -- just looking at the commentaries from real estate companies and existing companies in building material segment, I believe that the demand should start coming in now or anytime now. So do we need to -- there are two parts to this question. First is that do we see the need to add any more other associate company? And the other part is that how quickly could we ramp this up to our optimum utilization?

Aditya Gupta: So, Miraj, first, yes, I agree with you that the real estate sector has started moving up. And we see a lot of new projects being launched every day. Real estate prices have been going up very nicely for the last one year or so. But keep in mind that tiles come in right at the fag end of our real estate project when it is being delivered. It is one of the last two months of the three-year or four-year project life that tiles are being used. So, a lot of these projects are going to add to the demand may be next year, may be two years from now, depending on when they were actually launched.

So that's point one. Secondly, in terms of capacity, I don't know whether you have been checking out with, say, Morbi. If you were, you would find that about 50% of the units in Morbi have been closed in December and in January. And the trend continues in January. So, there is a challenge on the demand side, a short-term challenge on the demand side, because for one, exports in December is anyway not the best of month for exports. And since then, the freight rates, the cargo freight rates have dramatically gone up.

So, exports are being postponed. People are waiting for the freights to kind of cool down a bit. So, it's a bit of a wait and watch, and that's why a lot of capacity at Morbi today is also standing idle. So difficult to kind of give you an exact timeframe of when this capacity will bounce up. But I think all the parameters in terms of real estate consumption, in terms of the number of launches which are happening across the country and all are in the positive direction.

Miraj: Right. So, my question was more towards that, if I were to look at my peak capacity utilization, I believe 85% to 90% is something that we can do. Please correct me if I'm wrong here. So that is the first part, 85% to 90%. If it is needed, are we up to the required marks to deliver 85%, 90%? I know the demand part you're saying that it is a bit slow right now. But let's say if it were to spring up back again, let's say in the next quarter itself, are we ready to deliver 85%, 90% utilization? And secondly, sorry, please go ahead.

Aditya Gupta: Yes, we are. So, this capacity is available to us. These are own manufacturing units and all. So capacity is available at a very, very short notice. In a matter of weeks, it can be turned up. We have in all our units long-term gas connections from Gas Authority of India Limited. So, we do not have any issues in terms of supply of natural gas. And capacity utilization can be ramped up in a matter of weeks.

Miraj: Understood. And if you were to add any other further associate to keep us more balanced in supply on the supply front whenever the demand comes in, are we evaluating any players on that front and the associate side?

Himanshu Jindal: See, Miraj, we keep evaluating options. Why only an associate? May be a full buyout also. But there are challenges in the sector. Most of the players that you need to indulge with, you have to check what is the key product offering that they have. What are the synergies that would be coming into play with you and the partner on the other side, etcetera, etcetera. So, there are things that we always keep discussing internally.

If there is something which is happening, I am sure we will come back on all organic opportunities that we exploited in our own plants. We did inform markets at the right time. At the moment we were going live. So, if there is anything like this happening, I am sure we will come back to you and tell you transparently like something has been now agreed on, for example.

Miraj: Understood. And sir, what is the average gas cost for the quarter for the plants, if you could just mention that?

Himanshu Jindal: So, gas cost for the quarter would be just around 50 on a blended basis. Just around 50. If I were to count my blessings on the alternate fuels that we use across locations again, I think then it would be INR3, INR4 or INR5 cheaper.

Miraj: Understood. And in the month of Jan till now, how has it been? Is it up or down, sir?

Himanshu Jindal: No, it's pretty flat. Pretty flat. There is no surprise for now.

Miraj: Understood. So, the marketing campaign that we started, this quarter we have seen almost a 2x from what we were doing earlier in ad spend. So, for how long are we planning to run this ad and with the target that we have, what kind of revenue are we aiming over here? So, are we aiming to increase our geographical revenue from a particular geography or a particular category?

Aditya Gupta: Okay, Miraj. So, we started, the campaign was launched in the first week of December. To answer your first question, we will continue this campaign through quarter four. And we have as strategy decided we want to build up the brand imagery for Orient Bell. And this is something which we shall continue to do in the next financial year also. So, it is not a one-off initiative. It is something which the company will continue to invest in, in the future also. That's point number one.

Point number two, you talked about any specific geographies. So yes, I had mentioned in my opening comments also that we have advertised in nine languages. And of course, five of them are the South Indian languages, the four South Indian languages. And we have spent disproportionate amounts in South India on TV. Disproportionate to our current sales salience with a strategy to build up volumes going forward. As you know, the Dora new line is something which we have made for South and West markets only. And the new line which we had made in Hoskote about a year and a half back is totally South focused.

Miraj: Understood. And sir, could you break down what is the Dora, the new Dora line's utilization for the last quarter?

Moderator: Sorry to interrupt. Mr. Miraj, may we request you to rejoin the question queue as there are several other participants waiting.

Miraj: Sure.

Moderator: Thank you. So, the next question is from the line of Keshav Bijayratan Lahoti from HDFC Securities. Please go ahead.

Keshav Lahoti: Hello. Hi. Thank you for the opportunity. So, to understand the demand side, how will the domestic demand be impacted because of the Red Sea, the ocean rates are rising? So, will it lead to higher dumping by Morbi in the domestic market? And secondly, how has been the situation from Morbi dumping last one or two quarter?

Aditya Gupta: Keshav, the line was not very clear. So, what I have understood is you are asking about the export outlook currently. Is that what your question is?

Keshav Lahoti: Yes, export outlook and how will it impact on domestic demand?

Aditya Gupta: Okay, fine. Got it. So, as I said, freight rates have gone up. I mean, the Dubai container was kind of used to be available at almost zero cost. Today, it is some $400-$500. There is, across markets, freight rates have really gone up. So, there is a lot of postponement of exports, which is happening because the buyers are looking for the freights to kind of come off before committing.

Cannot say when this will be sorted out. But as we speak, situation on the export front on the freights and all is not very good. How it impacts the domestic market is clearly there is a certain portion of that capacity, production capacity, which was export oriented, which starts dumping stocks in the domestic market. So that does happen. It happens every time.

So, it is a clear negative for the domestic market in terms of dumping by some of these guys.

Keshav Lahoti: Okay. Got it. We have seen some sequential improvement in gross margin. So, what are the key reasons for that? Is it product mix or how should we see that?

Aditya Gupta: Himanshu had spoken about it. Himahshu, you want to repeat that please.

Himanshu Jindal: Yes, hi, Keshav. Keshav, largely two or three reasons playing out. One, like I said, gas costs have come down, both sequentially and on a Y-O-Y basis. This is clear. More importantly, I think, and we spoke about consumption efficiency last year, same time. There were challenges. Now those have been ironed out over the last two, three quarters. We are also saving money out of whatever projects we built up to support power and fuel efficiencies.

So, all of those are now paying off. And therefore, with the product mix also improving, all of that is helping today. And therefore, the gross profit margins are better than where it was. But otherwise also try and look at my gross profit margins on a quarter-to-quarter basis. And on a Y-O-Y basis for the last 10 quarters, you will get an answer that we are generally among the one or the top two in the industry overall.

Keshav Lahoti: True, true. One last question from my side. Quite an interesting ad campaign and launched 0% celeb. Just want to understand that what are the key areas to understand, the purpose of this aggressive marketing strategy? What is in your mind? Is it rising, improving? What kind of gaining market share do you see going forward?

Aditya Gupta: Okay, Keshav so the objective of our ad campaign, first and foremost, is to build up brand awareness. We have been manufacturing and selling tiles for almost five decades now. And this is an area where we have been late. And that's why we took up this -- we took up this as a priority that even for ourselves, even when the markets are down and the top line is not too good, we wanted to go out there and start investing to build this up.

So, the long-term objectives of doing this campaign are to clearly create a differentiated brand image for Orient Bell. As a company which makes tile buying and selling easier, which makes the choice of choosing a particular tile or design of tile or type of tile very easy and comfortable for the customer.

Keshav Lahoti: But how should we see, let's say, from one or two year point of view, like, what would be the KRA to see whether the campaign is going as planned by the company? What sort of maybe possibly higher realization you'll be able to charge? What sort of better growth we should see from one or two year perspective?

Himanshu Jindal: Keshav, if I understood you correctly, are you trying to ask us what is the KRA that we have set for our marketing guys for this campaign?

Keshav Lahoti: So, what is the idea to judge whether the things are going as planned?

Aditya Gupta: Okay, fine. So, Keshav, the campaign is about six weeks old now. We keep evaluating it once every couple of months and all. So, to start with, there are very clear goals in terms of the reach and the frequency and the opportunity to see and the frequency in all the key markets, which is basically amongst our target audience of 30 plus age male and female, this thing, how many people have actually seen our advertisement.

So that is clearly objective number one. We keep evaluating that, keep measuring that as the time data, TV audience measurement data keeps coming out and kind of keep adjusting whether you want to spend more or less in a particular market, change channels and stuff like that. So that is the delivery part of the campaign. The second, from the business perspective, we expect the campaign to have an impact on the website traffic that we have. You know, orientbell.com is one of the pioneering websites and we have won multiple awards for this website over the last four years.

Not just the tile industry, but within the building and construction industry. So, we expect organic traffic on our website to go up dramatically. We expect the number of leads which come to us through the website to go up dramatically. And finally, all of this has to result in a certain brand awareness score, which is what we measure once every six months.

Keshav Lahoti: Okay. Got it. That is quite helpful. Thank you.

Aditya Gupta: Thank you.

Moderator: Thank you. The next question is from the line of Rohit Suresh from Samatva Investments. Please go ahead.

Rohit Suresh: Hi, good evening and thank you for the opportunity. So, my first question is based on your commentary in the last quarter where you said that the blended gas price for us and for the industry as such, it has come on the same level, which previous few quarters ours was a bit higher compared to the industry? And second was that you said that the price drops that you had taken, they were actually, you were seeing some growth in the terms of volumes to the price drops that you had taken?

So, I just wanted to know why has, in spite of being on a similar path with industry in terms of gas pricing as well as the price drops, why has the volume uptake been a bit low? I understand the external factors, but is there internally something, you know, where you feel that you're missing out and there's some scope for improvement?

Aditya Gupta: So, Rohit, definitely, definitely there is scope for improvement and this is a question that we keep asking ourselves all the time. There are two main reasons which I would like to kind of point out. One I've already spoken about, which is our higher than industry dependence on ceramic products historically.

We have reached, as I said, we are now 50-50 in quarter three between ceramics and vitrified. But if you look at some of our competitors or most of our competitors, you will find that this ratio would be more of 70-30 or something like that. So, this is one thing, ceramics are kind of being replaced with vitrified.

So, we have had a bigger impact of that on our top line. So that is one reason. A second reason, which I think is there, which is something which we are putting solutions in place for is attrition.

This year has been a year of high attrition for us, much higher than what we have usually had. And this has kind of slowed down, this has impacted top line generation, this has impacted market working and all. So, these are two reasons, which I would say are unique to Orient Bell.

Rohit Suresh: Sir and have we lost market share in our like key geographies because of the high attrition or has it led to a market share loss?

Aditya Gupta: So, Rohit, yes. The H1 results are available for our competitors. For Q3 we're the first one to come out with. In H1, yes, some of our competitors had grown faster. So obviously there is market share loss. Unfortunately, the industry is not mature enough to have region-wise or state-wise market share this thing.

But yes, overall, H1 was a time when we did lose market share. And now with the new GVT capacity coming up on speed in quarter three, actually the capacity came up in September. Then there was a lot of new testing, new products being developed and all. And finally, in the month of November, we were able to start selling from the new line. So, with all of this happening, we see attraction now slowly coming back.

Rohit Suresh: Got it. So just one question, one more was that historically in FY21-22 when gas prices were on an increasing trend, we used to get some benefit over the competitors, right? So now with gas prices increasing at least from 40 to 50 in the last quarter and if it's on an upward trend, will we expect a similar benefit on our margins?

Himanshu Jindal: Hard to comment on, Rohit, right now. This is obviously way beyond our control in terms of how the gas prices will evolve. Past trend, yes, you were right. They are linked more to spot. Spot is actually very, very volatile. So, if it goes up like anything, you can expect anything to happen there. Correct?

In our case, we are more insulated in terms of having a long-term linkage where there are pricing formulas agreed already with the government. So, in quarter three also, when we saw our gas prices going up a little, their gas prices also went up by the same proportion. That's the reality of what happened in quarter three with us and Morbi.

Rohit Suresh: Sir, and what would be the gas price in Morbi right now?

Himanshu Jindal: Gas price or the propane price there on equivalent gas terms is more or less similar. I think 46-47 in that range, 45-47.

Rohit Suresh: Got it. Sir, and this one last one on our gas, are we using biofuel or is it...

Himanshu Jindal: So, we are using biofuels in one of our plants, not all right now because of the economics.

Rohit Suresh: Okay, got it. Sir, and lastly on the capacity utilization at Dora, the previous participant that also asked, is that number...

Himanshu Jindal: So we give a blended capacity utilization out, Rohit. Wait for some more time as in when capacities ramp up, we'll be in a more comfortable position sharing these numbers. See, we don't want to give that split out for obvious reasons.

We are building up the plant today, we are building up our salience in South and West. I do not think this is the right time to share numbers at least on a regional basis. Yes, wait for some more time. I am sure we will come back to you guys at some point.

Rohit Suresh: Fair enough, sir. Thank you so much and wishing you all the very best. Thank you.

Himanshu Jindal: Okay, thank you.

Moderator: Thank you. The next question is from the line of Madhor Rathi from CounterCyclic Investment. Please go ahead.

Madhor Rathi: Thank you for the opportunity, sir. I wanted to understand the 7.1% of our marketing revenue as a percentage of sales. So, this will continue as a percentage of sales for FY '24 and FY '25 or the amount will continue for FY '24 and FY '25?

Himanshu Jindal: No, so see, nothing is constant in this world, right? Every single day is dynamic. So would be our marketing spend. We have been doing in the past 3.5% roughly, give or take here or there. It has been ramped up for reasons because obviously we were starting it for the first time and we wanted a pan-India reach out to support our salience over a period of time for brand building, brand recall.

And we will see how these investments play out. Aditya did mention a lot about these already, so there is nothing more that I can add. But yes, if these have to be ramped up or ramped down, we can. This is something that we can agree on depending on how the situation is.

Madhor Rathi: Okay, sir. So, I understood what was the motive behind these investments on marketing. I am just trying to understand for the next 18 months. So, like from the 3%, 3.5%, will we see it going to 5% or is there some kind of figure in our mind?

Himanshu Jindal: So, you can say 3.5% to 5% could be normal for OBL, at least for these ultra short-term, short-term types.

Madhor Rathi: Okay. Sir, my second question would be, sir, our revenue from trading has been on a constant, like on a similar line when it was. So where do we see this going? So, with our new capacities coming in, do we see trading revenues going, getting lower going forward?

Himanshu Jindal: No, I don't, See trading. There are products that we do not manufacture. Please keep that in mind. Our own manufacturing capacities, as what Aditya mentioned, 60%-65% of that is actually pure ceramics. So, I, and there is only GVT 35%. So, I may need more GVT, I may need more slabs, I may need more commodity products coming in from trading.

It is a tap that has unlimited potential. So, so we will try and use it wherever we can to be able to give customers what they want.

Madhor Rathi: Okay. That was from my side, sir. Thank you very much and all the best.

Moderator: Thank you. The next question is from the line of Keshav Garg from Countercyclical. Please go ahead.

Keshav Garg: Sir, I'm trying to understand that even though we have increased the percentage of advertisement and sale promotion expense from 3%, 3.5% to, let's say, 5% or thereabouts. Now, sir, the question is about the effectiveness of that spend. So how do we evaluate that, that whatever money we are spending?

Sir, because our top line is only not growing. So had the top line been growing, then the shareholders would not have minded sacrificing the margins. But here we are sacrificing the margins also without anything to show for the top line. So, what are your thoughts on that?

Himanshu Jindal: See, Keshav, these investments have just started. Now, whether they are doing good or not, we'll get to know over a period of time, right? So please appreciate we were working with -- so when I joined this company, we started doing this 3.5% on digital marketing. People used to ask me whether this will work or not. How do you know? And very difficult question to answer, to be honest.

But I think immediately post-COVID, when the opportunities came in terms of people wanting to buy, I think the solutions that our team had built came into play and we were able to realize what we intended to realize, growing better than the industry. We realized over the last one, one and a half years that our competition is spending a lot on these other things that we were not doing on branding.

And therefore, we have taken a plunge and committed to ourselves that, yes, if you know this helps build the brand recall, let's go ahead and invest. And therefore, we are doing it. And there are -- like Aditya mentioned, there are KPIs for the marketing team as well to be able to deliver what they intend to deliver or what they've been brought in to deliver, which is to generate demand. So, let's be patient.

I know there is no possibility for me to give you guidance on how this will pan out. But hopefully, with markets coming back, with all these interjections that we are doing internally with our teams, we know our weaknesses. It's not that we don't, but nothing can be sorted out overnight. Right? So, allow us some time, some breathing space, and I'm sure over the next one or two quarters, you'll start seeing results. Yes, this is what we hope for.

Keshav Garg: So basically, shareholders can expect something over the next one to two quarters, either mostly on the top line side.

Himanshu Jindal: This is what we hope for. Yes. Obviously, underlying market dynamics also have to be looked at. We are the first ones to report results this time. Let's see what is the results. We have not done very well in the first half vis-à-vis competition. This is also very, very clear. So, let's see where competition is and how do we want to now play in the market?

Keshav Garg: Sir, if we see our trailing 12-month numbers, our operating profit is even less than the COVID year of FY'20. It's lower than what we did in FY'11. So, if we look at the rest of the industry, things are sluggish, but they are not so bad in the rest of the industry. So, is there anything from what you have already alluded to about the brand building, etcetera? Sir, is there anything else where we are doing something?

Himanshu Jindal: So, Keshav, I think you and me both are finance guys. We understand free cash flow much better instead of what we report on EBITDAs for whatever reasons, correct? There are a whole lot of provisions. There is a whole lot of other things that happen in those numbers. And you know my free cash flow numbers, you know whatever I've done to build capex, to do debt repayments, to support branding, all of those numbers are there.

And I think I elucidated on the call, in this call rather today, that in the -- starting 1st of April 2019, my free cash flow generation to support all these activities that I've done has been close to 12%-13% in this kind of an industry, yes, bare minimum. I don't think that is bad, given what EBITDAs my peers make, listed, unlisted, all put together, right?

So, we have not done that badly. Yes, there have been quarters where we have done much better. There have been quarters where we have not done so good. And yes, the expectations are much more, which is very, very clear again. So, like I said, instead of focusing on our EBITDA number, I think right now for the moment, what makes more sense is how much volumes are we doing?

What is my gross profit margins? And what is -- where is my free cash flow? Am I heavily borrowing in the market? Or am I still strong, right, on the balance sheet front? I think that should be more of a guiding spirit between now till, you know, for the next one or two quarters for sure. And then we'll see how to position ourselves thereon. Makes sense?

Keshav Garg: Thank you very much and best of luck.

Himanshu Jindal: Sorry, I missed. You said something, Keshav?

Keshav Garg: Thank you very much and best of luck.

Himanshu Jindal: Thank you.

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

Aditya Gupta: Thank you, everybody. And no questions now, so we are closing this earnings call. Thanks for joining.

Himanshu Jindal: Thank you.

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