25th May, 2023

The General Manager,
Corporate Relationship Dept.,
BSE Ltd.
1st Floor, New Trading Ring,
Rotunda Building,
P. J. Towers, Dalal Street, Fort,
Mumbai-400 001
(Scrip Code: 531548)

The Secretary,
National Stock Exchange of India Ltd.,
Exchange Plaza, 5th Floor,
Bandra Kurla Complex,
Bandra (East), Mumbai 400 051
(Symbol: SOMANYCERA)

Dear Sir/Madam,

Sub: Transcript of the Earnings call for Q4 of FY 2022-23 pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

In reference to our earlier letters dated 16th May, 2023 and pursuant to Regulation 30(6) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Transcript of the Earnings Conference Call held on 23rd May, 2023 is enclosed herewith.

You are requested to kindly take the same on record and acknowledge the receipt.

Thanking you,

Yours faithfully,

For **Somany Ceramics Limited**

Ambrish Julka

Digitally signed by Ambrish Julka
Date: 2023.05.25 17:59:52 +05'30'

Ambrish Julka
Sr. GM (Legal) and Company Secretary
M. No.: F4484

Encl: As above

"Somany Ceramics Limited
Q4 FY '23 Earnings Conference Call"
May 23, 2023

MANAGEMENT:	**MR. ABHISHEK SOMANY – MANAGING DIRECTOR – SOMANY CERAMICS LIMITED** **MR. SAILESH RAJ KEDAWAT – CHIEF FINANCIAL OFFICER – SOMANY CERAMICS LIMITED** **MR. KUMAR SUNIT – HEAD (STRATEGY & IR) – SOMANY CERAMICS LIMITED** **MR. AMEYA SOMANY – MANAGER – SOMANY CERAMICS LIMITED**
MODERATOR:	**MR. AASIM BHARDE – DAM CAPITAL ADVISORS LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to the Somany Ceramics Q4 FY '23 Earnings Conference Call hosted by DAM Capital Advisors Limited. As a reminder, all participants' lines will be in a listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during a conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Aasim Bharde from DAM Capital Advisors Limited. Thank you, and over to you, sir.

Aasim Bharde: Thank you Lizann. Good evening, everyone. On behalf of DAM Capital Advisors, I welcome you all to Somany Ceramics Q4 FY '23 results conference call. We have the senior management team with us to take us through the results and then for the Q&A. With that, I'll hand the call to Mr. Abhishek Somany for his opening remarks. Thank you.

Abhishek Somany: Thank you. I have with me my CFO here and my Head of IR and Ameya Somany in the room. I would like to welcome everybody for the earnings call of Q4 FY '23 and also the year ending FY '23. Welcome, every ladies and gentlemen. As you've seen, the last year has been probably one of the most volatile years. We were hoping it to be an excellent year after the pandemic, but with the war happening, the fuel prices, freight prices, etcetera, the volatility continued right through the year. And we've seen maximum ups and downs ever in the history of this industry.

Overall market, as it stands, is still muted. Demand is still under pressure, continues to remain under pressure. The industry size, according to us is approximately INR48,000 cores INR49,000 crores, out of which INR37, 000 crores, INR38,000 crores is domestic and about INR12,000 crores is export. This is slated to grow at about 5%, 7% next year, largely driven by export as far as the total industry is concerned. We are hoping that the export would expect to reach between INR18,000 crores and INR20,000 crores levels. This year, we would look at about INR17,000 crores, INR18,000 crores. And next year, we will be looking at about INR20,000 crores levels.

On the other thing, which has been a big positive in the industry is that we've seen finally, the gas prices started muted -- coming down. It's still not at the same level at the six-quarter earlier levels, but it has definitely moved down and the future also looks reasonable, and we don't see any shocks unless there's any global uncertainty, which takes it out. Now if we come to Somany, on a quarter four basis, we've done INR668 crores on revenue, which is about 11% up on Q4 '22 and on a console level also approximately 10.5%. On a standalone basis, our EBITDA has moved up fairly reasonably from 5.5% to 6.7%.

That's largely backed on fuel price increase and other operating improvements, which we have done. However, there has been a little bit of pressure on the value-add mix, which I will talk about later, which has gone down by 1% in this quarter. But overall, the other operating levels and the gas price has given us this benefit. The tile volume stood at 17.6 million, which is about 9.2% up from last year's same quarter. On the console level pretty much the same. As far as the year goes by, we have grown by about 18%, 2,426 on a standalone basis versus 2,061. If you take the console it is at 2,465 versus 2,083, which is 18.3%, up from last year. The EBITDA has gone down as we have had a substantial amount of pressure on gas and also on our JVs.

So both of them have put pressure on the EBITDA, where you see the PBT, if you come down to the PBT level from 126 to 95. And similarly, the PAT has gone from 89% to 75%. Whereas on the standalone basis, we have maintained last year's EBITDA in fact -- sorry, last year's PBT, which is slightly better and also the PAT which is slightly better. The reason for the console hit is on two accounts. One is on gas and largely on the joint venture. If you understand the joint venture model is we buy from them at a particular price.

And here, while we were able to put some increases in our selling price that did not translate to increase in purchase price from our joint ventures because the joint venture work on transfer pricing, which means that what we have been able to source from Morbi a particular price from a non-joint venture, we generally give the joint venture partner that plus a little more.

So that put pressure on the joint ventures. So that was the biggest delta. And our joint ventures, we have many more joint ventures than a lot of the other players. Therefore, that was something which takes the joint venture profit. And coupled with that, we also had Somany Piastrelle, which for two quarters, it lost money. That has stabilized, of course. So from that point of view, going forward, that will not be a loss. And even on the joint venture with the gas prices coming down, we would have a much better year in future. So this volatility was extraordinary volatility of last year. We've never had such a big difference between the console and the standalone results.

So that was largely the effect of the transfer pricing on the joint venture or the pricing, which we took from the joint venture partners, which is why there was an extended loss on that amount. As far as the tile revenue is concerned, if you see the figures, we did about 38% in ceramics. Last year, it was the same. In fact, the year gone by we've done 39% in ceramics, which is 1% up. The PBT is down from 33% to 29%. The GVT, although it was up in Q3 to 33%, but in quarter four and also around the year, it's at 32%.

So there has been a little bit of pressure on the value-add mix in the quarter four, but that's nothing major, which should get weed out towards this year, and we're looking at a much better results ever even better than 33% going forward. Like you know, we've put in a lot of capacity or value-added plant and also the Max plant will start in quarter three. So all of that will further augment the value-add. As far as Bathware is concerned, we did approximately INR74 crores in quarter four, up 18%.

And overall, also for the year, we were up 18% from 207% to 245%. This segment has got traction. But like the demand was muted, this was also muted to that extend. But this segment has got traction, and we're looking at a good 20% to 25% growth in this financial year. On the gas price, just to give you a flavour, our gas price -- current gas price is approximately INR47.

In quarter four, it was approximately INR60 because some of our plants were still at some higher gas pricing. So this INR50 has come down to INR47, and we're looking at even lower pricing going forward, so probably INR43, INR44 in this month and the coming months. And the current what I'm referring to is April price. It's further gone down a little bit more in May. So we are hoping that some of this would be retained, and that would reflect in the bottom line going forward. Average capacity utilization in quarter four was almost 90% on tiles -- approximately 55% on sanitaryware. There was a stockpile up, so we had shut down one small line, only the large line is running. Faucet was at about 75%.

The brand spends were maintained, it was 2.5%, and this will be maintained going forward also. The new dealer addition for quarter four was approximately 300 and -- sorry, for the year was 300, and we had about 109 showrooms which we opened this year. There was some showrooms which got -- the exclusive showroom which got shut down, but we did add 109 new showrooms this year in FY '23. Going forward, this quarter, again, we have muted demand. So we're looking at not a great demand scenario from the industry, as is for all the building cases.

However, the guidance going forward for FY '24 -- '23-'24, on volume terms at the mid-teens, largely driven by the volume growth and very small by the value growth. EBITDA margins should improve. We should -- we're looking at the EBITDA margin, what we achieved in quarter four and maybe add a little more on to it.

There still seems to be a little bit of volatility in input costs, gas, etcetera. But we're fairly confident that if this sticks as to where it is, considering that the demand is muted and we may have to do certain incentives, etcetera, to prop up the volume. Therefore, we are looking at the similar EBITDA levels or a little more than that so about 9.5% to 10% EBITDA levels for this year, if everything remains where it is in the first quarter. So here was the snapshot of our results, and snapshot of what we have envisaged. A little more on next year, we're looking at more dealer additions. Our future prospects are to further augment the footprint of dealers, so extension of distribution.

So there, we will be adding another 300 to 500 dealers during the year. We would do the same ad spend. In fact, we've -- you would see a lot more of us this year because the absolute ad spend, absolute money goes up fairly significantly, although the percentage remains at 2.5%. We are also in the process of shooting new adverts to further increase our presence across all media, social media, digital, etcetera, TV below the line, all of that.

Sanitaryware remains the focus. This year -- our theme is to further augment this sanitaryware growth. As you all know, my brother now looks after the Sanitaryware business. So there's a lot more focus on the business and a lot more seriousness than before. As key management, promoter management is now looking directly into the Sanitaryware business on a day-to-day basis.

So this is as far as our snapshot is concerned. I would now open the floor to any Q&A. Thank you so much.

Moderator: Thank you. The first question is from the line of Viraj Mehta: from Equirus PMS. Please go ahead.

Viraj Mehta: Abhishek, my first question is regarding volume growth. If you look at the domestic volume growth even for this year, we have done significantly better. And when you say that you will do mid-teens even if the first quarter doesn't look great, that would imply almost 17%, 18% kind of volume growth for the rest of the three quarters. What will that be driven by? Would it be driven by like new showrooms, geographical expansion or just same-store sales growth you think can catch up?

Abhishek Somany: All of the above. And also in the fourth quarter, when we say its core demand is more than what we envisage it to be, but April was not too bad. We had approximately a 9%, 10% growth in April. May is pretty much the same kind of growth which we are envisaging. So it won't be so bad. It's just that we have aggressive targets and to grow at 15% on such a large volume is not a small number. So A, it would be all of the above, which you said, plus we would get approximately four months of the max capacity also.

Viraj Mehta: Right, right. My second question is regarding the fuel cost. So if I look at the commentary of the market leader, which obviously drives the prices for everyone else in the industry, they categorically said that they'll not pass on most of the gas price decreases. And if I look at your gas price decreased from INR53 to INR50 to early INR40s, you are talking, that's a massive gas price decrease that they're looking at. But you're still guiding only for 10% EBITDA margin. It looks very counterintuitive in that regard.

Abhishek Somany: Not really because there will be price corrections with this kind of a price decrease we will reduce prices, which means that we would also have to reduce prices. What I mentioned is that we should be able to retain some of the price reductions. So everything won't get passed one. So just to give you a further flavour on the gas in the north, whatever we do, we will not be under INR46, INR47 because we still are under that contract with GAIL. Unlike industry leaders who have three contracts, which is Henry Hub, JCC market and also the long-term RasGas, we have only the RasGas.

So from that point of view, we have pegged to the Brent. Therefore, we do not look at this coming down between INR46, INR47. More, we look at about INR41, INR42. And in the South, we are completely exposed to spot -- currently spot is still at about INR50. So on a blend weighted average, we're looking at about -- from INR50, we are looking at a INR46 to INR47 in the immediate term. Of course, we have done a lot on biofuel also, which is approximately today about 32%, 33% of our fuel mix in the North plant.

Viraj Mehta: Sure, sure. And my last question will be on sanitaryware -- so we are like around INR245 crores to INR250 crores top line. And if I look at -- I mean what's your aspiration? Because at like a INR2,500 crores top line is still a very, very puny part of our business. Aspirationally, where would you want to take it over next two, three years?

Abhishek Somany: Internally, we're looking at in the next three, three-and-a-half years to double digits.

Viraj Mehta: And would it be fair to say that this is a significantly better margin business than tiles at a scale -- let's say at a scale of INR500 crores?

Abhishek Somany: So at INR500 crores, yes, it will be. But currently it's not because obviously, the volumes or economies of scale haven't played up, yes.

Viraj Mehta: Right. And what will be the capex for this year, sorry, last number?

Abhishek Somany: capex could be in -- there is no capex -- it's only routine capex of INR60 crores, INR65 crores.

Moderator: The next question is from the line of Udit Gajiwala from YES Securities. Sorry to interrupt Mr. Gajiwala, sir, your audio is breaking up. Sir, we are not able to hear you. I am extremely sorry. Sir, may we request you to return to the question queue because we are not able to hear you. As we are unable to hear the current participant, we'll move on to the next. That is from the line of Chandresh Malpani from Niveshaay Investment Advisors.

Chandresh Malpani: Yes. So my first question is on the export side. So how are exports faring up, sir? Can you give us any number like what sales like that was lost in the previous year, like any percentage on that side? Sir, like that Morbi region was started to dump in domestic market. So has that changed or how is that outlook on export front?

Abhishek Somany: Yes. So there's no new capacity coming in, in Morbi at all this year, which means that whatever capacity has been put in, a lot of it will start getting consumed in the export demand, which is going up. And also the real estate players over here, which are basically serviced by Morbi. so real estate industry also keeps going up. So from that point of view, I think a lot of that dumping will start getting lesser and lesser going forward.

Chandresh Malpani: Okay. Okay. So there won't be any supply overhang, we can assume as of now, like the new capacities are not getting added? Hello. Yes. So just wanted to understand there won't be any supply overhang in the industry.

Abhishek Somany: No, no, there will be. Currently, there is a supply overhang, but that will get consumed during the year because no new capacity comes up.

Chandresh Malpani: Okay. Okay. And sir, lastly, on the Nepal plant, sir, what is your outlook from there? Where are we going to sell like it would be export-oriented market or how will it be?

Abhishek Somany: Nepal plant will commission maybe sometime late next year. It will take at least 18 months from now. And to Viraj's question earlier, there would be approximately INR12 crores, INR13 crores investment there other than routine but that we're not sure when it will be exactly probably towards the end of the year, but that's fairly insignificant. And the Nepal plant will be largely for the Nepal market.

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

Keshav Garg: Sir, I'm trying to understand whether due to the subdued demand and high input prices during much of the last financial year. Sir, any capacity has shut in the industry, especially from the unorganized sector?

Abhishek Somany: Yes, Keshav. There has been some capacity which are shut, but a lot of new capacity also coming. The capacity which shut was all the very, very old plants -- and you very well know that 30% of our tile industry of the tile cost is gas. Therefore, all the plants which were old, obviously, but not as efficient on the gas consumption as the newer ones were. It's much like a car when you buy a 10-year-old car it is less competitive than a brand new car, which gives you better mileage. It's literally directly proportional in the tile industry. So most of the plants which shut down were either of very small capacity, which could not survive, the onslaught of the gas price increase. Their cash flows also could not survive the gas price increase.

And again, you do very well know they've got a substantial amount of tax evasion in Morbi. So these small plants because they were selling at a large tax -- large cash element, they did not have any money to pay the authorities for buying gas. So those plants shut down. The second kind of plant which shut down were the ones which were very inefficient from gas. So we believe that approximately out of the 800-and-something plants, approximately 70 plants to 80 plants shut down. But there were the other plants which augmented capacity where they shut down an old kiln and put a brand new kiln, which is more efficient, was pretty much kind of compensated. In fact, there was an increase in the production capacity by 5%, 6%.

Keshav Garg: Okay, sir. Sir, also, sir, out of the total retail sales in tile sector, sir, approximately how much would be unorganized sector?

Abhishek Somany: So the retail sale, Keshav for branded and unbranded is very, very different. For the branded players, for example, if I talk of myself and some other industry leaders, we were -- we would be at between 75% and 80% retail. I'm talking as an industry. So I am at 78%, 79% retail, in which I include 3% export, which is basically again counted as retail because we kind of get the same amount of money, and it's going through dealers and no distributors. Another 12% to 13% is government and about 7%, 7.5% is private projects and about 1% is corporate.

What I mean by corporate is the IKEA's, the ZARA's the Adidas and all of the organized details of today's time. So that is our split. And I believe industry leader and some other guys in the branded segment would be approximately at the same level. Now if you come to the unbranded sector and some of the other listed players who are very government and project focused, there, it would be just the reverse, where 65% to 70% would be project, both government and private projects and 30%, 35% would be retail. I hope I have answered your question.

Keshav Garg: Sure, sir. Sir, also, sir, lastly, wanted to understand, sir, that with -- as things look in your judgment, sir, you think that in this FY '24 financial year, we'll be able to surpass our peak EBITDA of INR234 crores a project we did way back in FY '17?

Abhishek Somany: No. If I'm talking of the -- you're talking about console EBITDA, just one minute. Yes. We would be able to. Yes. I just did a back of the envelope, yes.

Keshav Garg: Okay, sir. That is very reassuring, sir. Thank you very much. And best of luck.

Moderator: Thank you. The next question is from the line of Pranav from Equirus Securities. Please go ahead.

Pranav: Sir, I wanted to understand what is the target that you are thinking of taking the GVT over next contribution from GVT over the next three years?

Abhishek Somany: For next three years?

Pranav: Yes, from let's say 32% where the contribution would be from GVT and large slabs together?

Abhishek Somany: Closer to 40%. Actually, the question is not how much GVT will increase because -- it's like saying that, that is the need of the hour, it will increase. The question is how much, how can we outsmart it and take you to 40% under three years is actually the question. There's nothing which is stopping GVT. I think the whole industry is moving only towards GVT. So it's a natural extension, any which way so not much that I'm doing. What I will do is to -- the effort from our team would be to see how quickly we can reach it and not when the entire market reaches. You understand what I'm saying?

Pranav: Yes, sir. And sir, my next question was now going forward as you rightly said that the industry is moving towards let's say, GVT and large slabs. So going forward, for the overall industry, do you think that the capacity additions now will move towards adding off large slabs only, which will again lead to some consolidation coming in the industry because that -- all those capacities require a lot of investment upfront.

Abhishek Somany: You see, we are talking on one side that the industry will double in the next five years. Obviously, no capacity will come in. It's only this year that we have seen less capacity or this year no capacity will come in because last year there was a huge addition. Now we have seen in the last -- at least in my career of 25 years I've seen that this industry has always had an overhead of capacity.

Every fifth year, there is one year where we have capacity being consumed, and then the next year onwards, again, there's been an addition. So yes, of course, the investment to output ratio has drastically changed because land prices have gone up, equipment prices have gone up, rupee dollar has gone up.

So from that point of view, the INR100 crores, which used to give me INR150 crores of revenue, obviously has changed to that extent. So capacity addition, although will come in, but it will come in, in various different geographies. And if we had to double the industry, obviously, existing plants will also augment more capacity and new plants will also.

So both of them will happen. So I don't see capacity not coming in. And I don't see that in the next two, three years, we will be at the same level. There has to be and will have to be more capacity addition. But the tail end point here is, which I had mentioned in my last call also, is that this time, we may witness capacity coming at different geographies rather than we only concentrating.

Pranav Mehta: Okay, sir. And sir, my last question was on exports. So any strategy that you were building up for, let's say, increasing the exports or participating in the export opportunity or you'll be largely concentrating on the domestic market only?

Abhishek Somany: So yes, we have a domestic focus there, and we get a premium in the domestic market. So therefore, we will continue to keep pushing our domestic presence. But export because it's going from INR12,000 crores to INR20,000 crores in that our share will also increase. Although in percentage terms, it may remain more or less the same, but in absolute terms it will increase.

Moderator: The next question is from the line of Keshav Lahoti from HDFC Securities. Sorry, to interrupt Keshav. Please go ahead.

Keshav Lahoti: Is it better? Yes, is it better? So just want to understand your sales breakup between Tier 1 and Tier 2 and Tier 3 and Tier 4 town how it has been in FY '23 and how it has shaped over the last five years? Is it a perfect understanding the more sales are coming towards lower tier cities?

Abhishek Somany: Yes, absolutely. I don't have BIS as to how the graph has progressed over five years but currently, we are approximately 70-plus-percent of our sales come from her Tier 3, 4, 5 towns. If we include Tier 2, it will be probably more than 80%.

Keshav Lahoti: Okay, got it. And what was your revenue mix for tiles and ceramics, PBT and GVT?

Abhishek Somany: Yes, I had mentioned that earlier. Currently, this year, it's 39% ceramics, 29% PBT, 32% GVT.

Keshav Lahoti: Okay. And as you are saying your GVT contribution is going to increase, will it lead to better margin profile also and possibly maybe in next two years, we should see upwards of 10% for Somany.

Abhishek Somany: Yes.

Keshav Lahoti: Okay. One last question from my side. How is your Bathware margin in FY '23? And what are your expectations in next two, three years?

Abhishek Somany: I don't have it of the top, but I'm happy to give it you later.

Moderator: The next question is from the line of Aashish Upganlawar from InvesQ Investment Advisors. Please go ahead.

Aashish Upganlawar: Sir, I wanted to know your thoughts on the sanitaryware part of it. So what we have been understanding from the key players in this industry that sanitaryware is more consolidated in the hands of a few branded players. And tile the other hand, we have several -- so many hundreds of players there, including unbranded. So I mean, is that the case? Your comments on that will be useful. And secondly, if we are going aggressive on sanitaryware how we are going to make a dent into that market, which probably is controlled by three, four, five people?

Abhishek Somany: Yes, you're very right. I mean we have sanitaryware, which is a branded play, and there's less competition from the unorganized sector because this is a product which is clearly visible in somebody's home. And there's a lot of pride which people take in their bathrooms and kitchens, etcetera. So therefore, they would very seldom put an unbranded product.

It's a fairly -- not a very expensive product to put a basic sanitaryware. So from that point of view, you are very, very right. It is in the hands of the top five players, namely Jaquar, Cera, Parryware, Hindware Kohler. That's where the market is. That's where you generally see 99% of the market, so to say, figure of speech.

You will see -- sorry, bathrooms, you will see one of the five brands. Now the question is to get our brand recognized and our brand also in top of mind recall. Currently, when a consumer is going to buy a house and he's making a bathroom. He thinks of Somany, Kajaria, Johnson, etcetera, few other brands as far as Tile is concerned. He thinks of Jaquar, Pravek and some other brands as far as Bathware is concerned, which is faucets.

And when it comes to sanitaryware your top of mind recall, still largely is in the Hindware, Jaquar, Parryware and Cera kind of a thing. So there to make a dent, we will have to make our presence felt, which is why we need a lot more concentrated effort on marketing, both multi-nodal marketing to make sure that a consumer over the years start looking at Somany as also a sanitaryware player.

So from that point of view, it's a long road ahead. It's not going to be easy, where a consumer will recognize as Somany as a bathroom player and not only a tile player. So this is something which is only over time, we will be able to change it. It's not that I can -- I don't have the kind of money to go and sponsor the IPL and get eyeballs that we also make sanitaryware because that's not sustainable for us. I wish we could do that.

So it's a long road ahead for us to get recognized in the sanitaryware. And that's the biggest stumbling block and the biggest roadblock today, where a builder also going forward, he says that why would have put Somany when I'm getting Hindware and Parry at pretty much the same rate. So that's something which we have to fight it out, and there's no one answer for that.

Aashish Upganlawar: So it's all about the brand rather than anything to do with the process of manufacturer or supply chain or something like that?

Abhishek Somany: Not at all. I mean, in the family, my grandfather established Hindware and Cera, so we know it. We know how to produce it. But it's a question of brand. So it's all about the brand and the distribution. Distribution is still something which is under control, where we have a lot of our tile dealers with the expansion in our sanitaryware portfolio, they would be more than happy to keep our sanitaryware. But it's a question of the consumers' mind. There, even my mind today, if somebody had to -- so today, if I had to paint a house, I'm not really going to think about JSW paint. I'm going to think of a Berger and an Asian. And why should I go anywhere else if that's available. So that's the stumbling block, which is -- which we are facing. But over time, obviously, we will get over this.

Aashish Upganlawar: Okay. Sir, secondly, if we were to, I mean, summarize the levers that you have for FY '24 on growth. So we're looking at volume growth of what is in double digits, lower double digits or?

Abhishek Somany: No, no, no. We're talking about mid-teen growth and obviously, largely from volume. So we're definitely looking at 12%, 13% of volume.

Aashish Upganlawar: And the margin should improve to maybe 7%, 8%. Is that a fair assumption or?

Abhishek Somany: Yes, obviously, because gas prices are better and obviously less volatility. So if nothing -- no other global surprises happen we are largely taxed.

Aashish Upganlawar: So can it touch the double digits there or should we not expect that?

Abhishek Somany: I don't think I would want to guide for a double-digit EBITDA. But yes, we would be growing fairly significantly over today's EBITDA.

Moderator: The next question is from the line of Bhavin Rupani from Investec. Please go ahead.

Bhavin Rupani: Sir, can you please give us the plant-wise gas prices during Q4? And what are the spot prices? Land-wise gas prices for Q4 and the spot prices?

Abhishek Somany: I mentioned that I mentioned that. I can't give you plant wise; I can give you region-wise. The Morbi region has gone down now to INR45 kilocalorie face value adjusted. The northern plant is again at INR46, INR47 for the same kilocalorie face value and the south plant is currently at INR56 -- sorry, at INR50 -- I'm sorry, at INR56. The trend is that we would be looking at a INR50 figure for the south plant and approximately INR43, INR44 figure for the Western plant and the Northern plant will remain in the same.

Bhavin Rupani: Okay. And sir, what is our fuel mix in Q4?

Abhishek Somany: What do you mean by fuel mix?

Bhavin Rupani: Propane and coal and gas?

Abhishek Somany: It's all gas and a small amount of coal as far as the spray dryers are concerned. And in the north plant, it is -- 65%, 70% gas and about 30%, 35% biofuel.

Bhavin Rupani: Okay. And sir, lastly, if you could speak on what are the rates of antidumping duty on imports from India by Saudi, UAE and USA.

Abhishek Somany: I don't think there are any -- any fresh antidumping duties, which have been noted. The last one was from Europe and in Europe India got a duty of about 6%, 7%, which is insignificant. In fact, we are fighting with Saudi now to see if they can remove the antidumping duty. If not, then at least bring all the Indian players to level playing feed. As you know, there are one or two players from Morbi who have a significantly lower antidumping duty to Saudi. So we are hoping that they bring everything on a mean rate so everybody can get the chance to export to Saudi.

Moderator: The next question is from the line of Rajesh Ravi from HDFC Securities. Please go ahead.

Rajesh Kumar Ravi: My first question pertains to your FY '24 guidance. You said that 9.5% to 10% EBITDA margin is what you're looking at, right?

Abhishek Somany: Yes.

Rajesh Kumar Ravi: And for volumes, any guidance, which I would have missed.

Abhishek Somany: I mentioned that approximately out of the mid-teens, approximately 12%, 13% should come through volume.

Rajesh Kumar Ravi: Okay. Early in the call, you mentioned that the industry, both domestic like export together should grow at 6% to 7%. And you also mentioned that the export numbers from INR12,000 crores will go to INR20,000 crores. So most of -- are you expecting flattish numbers in the domestic market consumption basis?

Abhishek Somany: Not completely flattish number. So we're looking at, let us say, at the industry currently, we're looking at approximately INR4,000 crores, INR5,000 crores increase out of which INR4,000 crores should come through export and INR1,000 crores, INR1,500 crores will come through domestic is what we're looking at. So Morbi is largely focusing on exports.

Rajesh Kumar Ravi: But given that the gas prices corrections will be sharp in Morbi and given that these players have also tested success in the domestic markets, do you see that even if demand picks up the share from the domestic -- from the Morbi players will remain elevated, and that is why you are not factoring in sort of any price increase?

Abhishek Somany: Morbi players are largely focused on the nonretail part. They're largely focused on the private builder. And I do believe that there'll be a much larger growth, maybe 18 to 24 months down the line because a lot of the new projects have been commissioned, wherein the tiles will go in only 18 to 20 months later.

Rajesh Kumar Ravi: Okay. And exports would be how much for you in terms of your volume for FY '23?

Abhishek Somany: Approximately INR50 crores this year.

Rajesh Kumar Ravi: INR50 crores. Okay. And any -- you're not looking at this market aggressively. I believe a few years back, 15% of your revenue is there from exports.

Abhishek Somany: No, no, no. Our revenue never exceeded 3.5% of exports.

Rajesh Kumar Ravi: Okay. Okay. So my bad. Okay, so exports is where you are not looking to be aggressive at all. Focus is on domestic Tier 2, Tier 3, as you.

Abhishek Somany: We are not competitive in export, because the problem within export Morbi gives extended credit plus very, very I think -- so therefore, export is never -- we never get the premium we get in India. So therefore, we are never competitive in exports.

Rajesh Kumar Ravi: Okay. And did you mention in the call some 100-odd showroom you added in FY '23? Number of showrooms added in FY '23, you mentioned around 100 showrooms.

Abhishek Somany: We added 300 dealers net addition in approximately 109 showrooms but I don't have the net addition of showrooms because some showrooms did close down also.

Rajesh Kumar Ravi: Okay. And are these exclusive showrooms?

Abhishek Somany: Yes, 109 exclusive showrooms, so our total figure of exclusive showrooms are now excess of 400.

Rajesh Kumar Ravi: Okay. So that's a sizable increase in terms of your footprint?

Abhishek Somany: Yes, on the exclusive front and also on the dealer front.

Moderator: The next question is from the line of Karan Bhatelia from Asian Market Securities. Please go ahead.

Karan Bhatelia: Sir, if you can you give some breakup on the INR170 crores, INR175 crores of capex that we did in this year, plant-wise and capacity-wise?

Kumar Sunit: Yes Karan. So net capex addition is with respect to that 11 million square meter capacity, which we add added during the year. So that's why we're starting to see the small ticket size of around INR40 crores in Northern India modernization plants or the Northern India plants, wherein we did the modernization of one line.

Then we added the larger capacity, which was Somany Piastrelle and then third one was the South plant expansion. So, all these three put together, the gross addition was almost INR300 crores. So INR175 crores, what we are looking at is the, I would say, net block number.

So if you look at the detail annual report, the gross block addition you will find INR300 crores. And that is a split divided between these three plants, the larger ticket and around INR40 crores, INR50 crores will be the maintenance capex.

Karan Bhatelia: So for this year, nothing apart on the Nepal plant?

Kumar Sunit: No. Nothing so far on the Nepal plant. It is yet to go.

Karan Bhatelia: Yes. No. So for FY '24, it's only the maintenance capex and some investment at the Nepal plant, right?

Abhishek Somany: And some small maintenance -- some small investment in the Nepal.

Karan Bhatelia: Yes. Yes. Also, can you split up the bathware revenues each sanitaryware and faucet and Y-o-Y growth, that's it?

Kumar Sunit: It's in the ratio of 60-40.

Abhishek Somany: So we did about INR100 crores in bathware, a little more than INR100 crores. INR100 crores in bathware -- in faucets.

Moderator: The next question is from the line of Dhwanil Desai from Turtle Capital. Please go ahead.

Dhwanil Desai: Able to hear me? So my question is, so this year, we are expecting a muted domestic demand outlook for the industry. And we are still aspiring to grow at what 13%. And you also mentioned that the industry side itself may double in next five years. So tying this up will we built that from a very large base that we have, we'll be able to outpace that 15% growth and grow at a slightly higher pace 17%, 18%, 20% over the next three, four, five years?

Abhishek Somany: We -- I can't talk so far four, five years, but we're pretty sure that the industry will double. I mean, the calculation is very simple, sir. We are looking at approximately 10% urbanization from the current number. So if we look at 10% urbanization even until 2030, which is six years, we're looking at approximately 150 million, 160 million people being urbanized. If you drill that down on new housing to be made in schools and colleges and malls and all of that to be made for the 160 million people to get urbanized, you'll finally arrive at this figure. So that is what we are focusing on.

That's what the guidance on the government is that 10% we get urbanized going forward. We're hoping for the same. Now if we took it -- talk of this year, we are looking at garnering a little extra market share in the domestic market, plus we are getting a little bit of the expansion, which happens in the market. So both of that combined, we're quite confident, of course, I must say that the year has started with a lacklustre kind of a demand scenario. But we were kind of expecting this for the next six months. We all know that all building materials, especially at where the rural India is still bleeding. I think the pain is to -- is there till the end of the monsoon.

We're hoping that after that, it should improve. Now we've been in the same scenario actually since August, where demand just fell off the curve last August. So we do believe that, hopefully, the demand -- muted demand won't last more than six, eight months going forward, which means till the next September, October and after which we believe that the demand should start becoming slightly better.

So that's what we are hoping for. And that is why we are internally taking a target and also guiding for a double-digit kind of a volume growth. We also put in 11 million capacity and 4 million more gets added. So need to sell that. So all of it put together, there is a significant amount of pressure on us to make sure that this is delivered.

Dhwanil Desai: Okay. And you guided for the margin for this year. But let's say -- so let's say, if you want to go back to our earlier margins of around 12%. Does it mean that the gas prices have to come down to earlier levels to get us back to that margin or you think that even slightly lower than where we are today, we can still get to that margin with scale and efficiency improvement and everything?

Abhishek Somany: The new normal now is kind of a INR40 to INR45 gas price depending on where the Brent is. I don't think we can go back to the INR33, INR34 level prices ever unless the Brent had to really crash and also do not forget there is a reasonable amount of foreign exchange component, which anyway has moved up by 20% because the rupee dollar has appreciated over the last two years by 20%. So both of that combined the new normal is at INR40.

So largely, our margins will be led by maybe slight decrease in gas price, but more from operating levels, extended better capacity utilization, better value-added mix, like I said, more of GVT and also with the economy of scale. So it would be largely dependent on that. I think the new normal for gas is already pretty much there. Maybe there could be an 8%, 9% reduction from the current levels overall in the gas prices.

Moderator: Mr. Somany, would you like to add any closing remarks?

Abhishek Somany: Yes. Thank you so much for joining us, ladies and gentlemen. Looking forward to a better year after having faced all kinds of volatility in last year, we do believe that there is a little bit of pain left as far as demand is concerned. But the company have been very focused on the balance sheet. We do not wish to deter from the site of having a poorer balance sheet. So we want to make our balance sheet even stronger.

These issues, we've, of course, taken a fairly aggressive target. The issues of muted demand is still coming. But overall, we are sure of better governance and also of keeping the balance sheet under check. So if that is there, we are very hopeful for the very good next few years to come. Thank you so much. Looking forward to the Q1 call.

Moderator: Thank you members of the management team. Ladies and gentlemen, on behalf of DAM Capital Advisors Limited, that concludes this conference call. Thank you for joining us and you may now disconnect your lines. Thank you.