Date: 12th May, 2025

BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street, Fort,
Mumbai — 400 001
Scrip Code: 531548

National Stock Exchange of India Ltd. (NSE)
Exchange Plaza,
Bandra Kurla Complex, Bandra (E),
Mumbai — 400 051
Symbol: SOMANYCERA

Dear Sir/Madam,

Subject: Transcript of the Earnings call for Q4 of FY 2024-25 pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

In reference to our earlier letters dated 29th April, 2025 & 7th May, 2025 and pursuant to Regulation 30(6) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the Transcript of the Earnings Conference Call on the Financial Performance of the Company for the Quarter and Financial Year ended 31st March, 2025 held on Wednesday, 7th May, 2025.

The above information may also be accessed on the website of the Company at www.somanyceramics.com.

This is for your information & records.

Thanking you,

Yours Faithfully,
For Somany Ceramics Limited

ANUJ KALIA
Digitally signed by ANUJ KALIA
Date: 2025.05.12 16:24:08 +05'30'

Anuj Kalia
Company Secretary & Compliance Officer
M. No. A31850

Encl: as above

"Somany Ceramics Limited
Q4 FY '25 Results Conference Call"
May 07, 2025

MANAGEMENT:	**MR. ABHISHEK SOMANY – MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER – SOMANY CERAMICS LIMITED** **MR. SHRIVATSA SOMANY – HEAD-BATHWARE – SOMANY CERAMICS LIMITED** **MR. SAILESH RAJ KEDAWAT – CHIEF FINANCIAL OFFICER – SOMANY CERAMICS LIMITED** **MR. KUMAR SUNIT – HEAD, STRATEGY AND IR – SOMANY CERAMICS LIMITED**
MODERATOR:	**MR. VAIBHAV PACHISIA – SKP SECURITIES LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to the Somany Ceramics Limited Q4 FY '25 Results Conference Call hosted by SKP Securities. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone.

Kindly note that the conference call is being recorded. I now hand the conference over to Mr. Vaibhav Pachisia from SKP Securities. Thank you, and over to you.

Vaibhav Pachisia: Thank you. Good evening, ladies and gentlemen. It's my pleasure to welcome you on behalf of Somany Ceramics Limited and SKP Securities to this Q4 FY '25 Financial Results Conference Call. We have with us Mr. Abhishek Somany, MD and CEO; Mr. Shrivatsa Somany, Head, Bathware; Mr. Sailesh Raj Kedawat, CFO; and Mr. Kumar Sunit, Head Strategy and IR.

We'll have the opening remarks from Mr. Somany, followed by the Q&A session. Thank you, and over to you, Abhishek Ji.

Abhishek Somany: Thank you, and welcome, everybody, for the full year and also the Q4 earnings call. I'll begin with the overall scenario of the industry. A lot has happened in the last year. There's been a weak demand scenario, which continued to impact both domestic and exports, specifically exports, which was down 20% in FY '25.

From a high of INR20,000 crores, it was down to approximately anywhere between INR16,000 crores and INR17,000 crores is what the number is of exports. That got really impacted due to the external factors of freight and various freight corridors, which was open in and out.

As far as we are concerned, our total sales grew by 5% and volume grew by about 3% in Q4. Operating margins largely remained the same at 8.2% in Q4. Gross margins decreased by about 2.8%. So, this was something which has been seen in the last 4 quarters, although we were able to maintain a decent margin overall, but there was a little pressure on the margins considering it was Q4 and a little bit of extra discounting, which happens towards the end of the year.

Capacity utilization overall decreased by 8%, so which means that for the entire year, we were down to about 81%, and last year, Q4 was 89%, and this is the similar number for the entire year. Gas prices moved up by 5%, nothing major. But this is looking good again because I think the oil prices seems to be going down and rupee dollar has also, rupee has strengthened.

I'll come to capacity utilization once again. Overall, capacity utilization 81%, down from 86% last year and 81% in Q4, down from 89% last year. Sales went up by 4.7% year-on-year and 2.6% -- I'm sorry, 2.6% year-on-year and 4.7% for the quarter last quarter to this quarter.

EBITDA, like I mentioned, was under pressure because the entire year, we sold less, expenses have gone up. So therefore, the EBITDA is at INR221 crores, which is 8.4% for the entire year, down from 89.8%. Frankly, probably this is probably the better ones in the industry where the erosion has been far less.

This has come out of operational efficiency and also keeping a very, very close check on costs, which we continue to do. Further to that, I think you would have seen the PAT and the PBT numbers. Subsequently, it is down. If you see the PAT numbers, I think we still have one puzzle to solve, which is the Max plant that is the newest plant. And obviously, in a very tough year, expensive tiles become difficult to sell that more difficult to sell. So, the entire consol loss which has come from that plant.

Otherwise, every single other plant is profitable. And what was not profitable, we have taken out of our kitty, which is Acer Ceramics and also Amora. So, we're looking very good for next year. This is one piece which we need to solve, and it's already getting better, capacity utilization is higher in this plant and we are on the way to making this profitable very soon.

As far as the mix is concerned, ceramic PVT and GVT ceramic stands at 33% for the quarter and 34% for the year. PVT stands at 28% for the quarter and the year and GVT stands at 39% for the quarter and 38% for the year. Bathware sales is something which we are very bullish about. The sales grew by 18% in quarter 4 and 11% in the whole year of 2025. This is very encouraging, and we hope to do again double-digit growth in Bathware for next year.

Overall gas pricing, I'm sure that would be a question. INR47 is the overall gas pricing. This is purely gas and no other mixed fuel in this. It's just the gas pricing is INR47 per standard cubic meter in Q4 and INR44 in standard cubic meter in the whole year; so, this is marginally up.

And if you see the whole year, it's not much of a difference; its 44 to 44. Capacity utilization in Sanitary Ware. I talked about the capacity utilization in Sanitary Ware is 96% in the Sanitary Ware plant, and we are running at optimum capacity in the faucet plant. Brand spend, we maintained at 2%. It was marginally higher last year. But in absolute number, it is the same figure. So, brand spend at 2% of FY '25. Working capital days increased marginally by 5 days. Most of this was on trade receivables, so approximately 3 days on that.

The net dealer addition, we continue to add new dealers. The net dealer addition has been 181 and also 40 new showrooms is the net addition in showrooms. We are guiding this year for a high single digit, low double-digit kind of guidance. So most people have shied away from guidance, but we're definitely lagging because we are very bullish.

EBITDA margins should improve by 1% - 1.5% if that happens. Brand spend will also increase in proportion to about 2.5%. The other thing I want to highlight is Max plant, which is getting stabilized, 55% capacity utilization and the minute this ranges between 75% to 80% capacity utilization, which is very soon in a couple of quarters, we will have a complete reversal over here. If you see our debt levels, our total debt levels are INR288 crores, down from last year from INR233 crores.

So, we're looking good even on that. Even currently, on the stand-alone basis, we do not have any debt and neither do we consume any working capital. So, these are some of the highlights. I would like to bring up another highlight, which is the sales breakup in channels, government and project. Our entire year, 81% is channel, 10% is private projects and 8.5% in Government. In Q4 which has improved, it's 9.3% in government and 10.5% in private projects, so this government and the private project next year, we think would go up to about 25% and the channel would remain would go down from 80% to 75%. These are the highlights, and we are looking pretty positive for next year, looking for a good year after many years. Thank you so much.

Moderator: Thank you very much. Will take our first question from the line of Keshav Lahoti from HDFC Securities. Please go ahead.

Keshav Lahoti: It's good to see the cost structure of employee expense and other expenses possibly we can see sequentially, there is an improvement of 420 bps due to employee cost and other expenses. However, that is completely offset by lower gross margin. So, what has changed? And is it a one-off in this quarter? Or will the gross margin continue in the coming quarters also?

Abhishek Somany: No, I think the gross margin will come under control. This was the last quarter we were under pressure to get ourselves with better capacity utilization and also sell more and not lose market share. So, it's like a one-off will definitely increase the gross margins. A lot of work has around that while we keep continuing to reduce employee cost further. Sailesh if you want to comment something?

Keshav Lahoti: By reducing employee cost, is it fair to assume FY '26 overall employee cost would be lower than FY '25?

Abhishek Somany: We are trying our best to reduce the employee cost. So, if it is as a percentage, it will definitely be lower. So, I can only talk as a percentage. I can't talk in absolute terms. But yes, in percentage terms, it will be lower than FY '25.

Keshav Lahoti: Understood. Got it. And sir, how are the trends looking in export side? So how you see FY '26 will shape up?

Abhishek Somany: Wrong person to ask. We don't export any -- very much. I think Morbi is the largest exporter, but what I hear is there are green shoots there. It should be 100% better INR16,000 crores, INR17,000 crores. So how much better I'm not sure.

Moderator: We'll take our next question from the line of Madhur Rathi from Counter Cyclical Investments.

Madhur Rathi: I wanted to understand there is a significant difference between our consolidated and stand-alone numbers. So, I understand because of Max not operating at full level. But was there any other factor that for this such a stark difference between both of these?

Abhishek Somany: It's just and just the Max launch. In fact for the last 9 months, we also had certain losses from the Amora and the Acer plant and that has been taken out as the key point. And now the puzzle to be solved is only the Max plant, which we are relentlessly doing. And within this quarter -- within this financial year, we'll see that coming out. So that would be a very big upswing and you won't see such a large difference once we get control over the next quarter.

Madhur Rathi: Okay. Sir, earlier you used to guide that 60%, 65% utilization would be breakeven. And currently, you are saying that it needs to go to 70%, 71% why that product mix or realization of the products are we producing lower ASP of that kind of scenario?

Abhishek Somany: Yes. 65% is for the high realization product, but looking at the market and looking at the guiding conditions, we have been forced to produce little bit of the lower margin products also; and therefore, I'm saying 75% -- you're absolutely right.

Madhur Rathi: And sir, what would be the probability for us reaching this kind of capacity utilization in FY '26?

Abhishek Somany: No, for sure, we will run up to this kind of capacity. It's just a question of how much would be the value add and how much not. But otherwise, it's a given that by H2, we would be at 75% capacity for sure.

Madhur Rathi: Got it. Sir, just a final question, sir, our competitor Kajaria has grown its volume at 6%, but it was lower for us. Why is that?

Abhishek Somany: That's because we stayed away from increasing lower quality and lower realization material. And I think if you see their sales, the sales has gone up, but the erosion of EBITDA is far, far, far more than ours

Madhur Rathi: Got it. But sir, with this Max plant, we are focusing on the lower volume -- lower value kind of products?

Abhishek Somany: No, no, no. Max plant lower volume is a tentative -- Max plant lower volume is comparative statement. The lower margin business of Max is still higher margin than the normal plant.

Moderator: We'll take our next question from the line of Sagnik Sarkar from SKP Securities. The line is dropped. We'll move on to the next question from the line of Ashutosh Khetan from Asian Market Securities.

Ashutosh Khetan: I wanted to know the capex spend for FY '26?

Abhishek Somany: There will be only routine capex. Of course there is no major capex required. Maybe next year, we will be looking at a small capex, which we will tell you later towards the end of this year for the bathware and the sanitaryware. Otherwise, we have only routine capex. Sailesh you can add in case you want to clarify.

Ashutosh Khetan: And what will be the advertisements sales you told was 2% for FY'25 or quarter 4 sir?

Abhishek Somany: 2.5%

Ashutosh Khetan: 2.5% for FY'25? Right?

Abhishek Somany: FY 25-FY'26. Yes.

Ashutosh Khetan: And the Max capacity utilization was 55% for the quarter, right? And for the year, what was it?

Abhishek Somany: Lower than that.

Ashutosh Khetan: Okay. And sir, can you just break down the gas prices for region-wise North, South and West?

Abhishek Somany: Yes, 40% is North and about 29% to 30% is South and then equally distributed balance between West and East.

Moderator: The next question is from the line of Madhur Rathi from Counter Cyclical Investments.

Madhur Rathi: Sir, one of the questions was on the gas, our fuel cost or gas pricing. So, can this be reduced with a mix of like applying different fuels or using different feedstocks to power our furnaces is there any possibility to decrease it going forward?

Abhishek Somany: Yes. So, if you see industry leader has quoted a certain gas price, it's largely the same as we could be because they have quoted a blended price. If I had to blend the price, it would be more or less the same. So, I'm not at any disadvantage industry leader. So, if that is your question. So, what I am quoting INR47 and INR51, this is purely only the natural gas price, nothing to do with the other biofuels, which we are also adopting and we're using to the maximum.

Madhur Rathi: Got it. And sir, on the EBITDA margin front, we have guided a 1%, 1.5% improvement. Sir, if the Max plant reaches 70 -- more than 75, can there be a further upside for this margin?

Abhishek Somany: Of course, if I go beyond 75 of course, there would be slightly better addition to the margin.

Moderator: The next question is from the line of Sagnik Sarkar from SKP Securities.

Sagnik Skar: I have 2 questions. The first question is on the demand front. So, on the domestic side, we have seen that the demand is subdued for the last 1 year. So, if you could categorize Tier-wise, I mean Tier 1 cities versus Tier 3 cities, like which are the cities that you see where demand is most affected and where do you see green shoots? So that is the first question. The second question is on the consol numbers. So, on the consol numbers, there is a large variation on the power and fuel cost and the depreciation numbers. So, if you could explain both these numbers.

Abhishek Somany: I will take this. I will let Sunit and Sailesh look at the second question. But the first question, our Tier 1, we sell approximately something -- 20% in Tier 1, and the balance comes from Tier 2, Tier 3, Tier 4. But I don't have a breakup between Tier 2, 3, and 4. Sailesh please take the next question?

Sagnik Skar: Sir the question is that where is the most pain, and where do you see the green shoots in the Tier 1?

Abhishek Somany: I think the pain has been across the Board has been across the Board. Small towns have been ailing as much as big towns. Small towns, there have been deferred demand in the IHBs, which is the individual home. And in the big towns, there has been a delayed purchase and all the products which have sold of the builders, their timing stage has not come. So, I think there's not been any specific area of concern. And neither is there any specific green shoot that a particular town will do better than the other.

Yes, of course, there are going to be the Delhi and the Pune and the Bombay, from a big town perspective, there a lot more development happening Hyderabad has slowed down to that extent. But otherwise, the Tier 2, Tier 3, Tier 4 towns I do believe that there are certain green shoots like towns in Madhya Pradesh, you have towns in Bihar, have towns in U.P, but otherwise, I think we are very bullish about pretty much every Tier 2, 3, 4 towns.

Moderator: Sagnik does that answer your question?

Abhishek Somany: Sunit, please take the second question.

Sailesh Kedawat: I think you had 2 questions. One question was on depreciation, and second question was power front. So, on depreciation, we have reassessed life of some of our assets, and that is additional depreciation has come. And the depreciation period, which you are seeing in this further case, is going to be the new normal because there are some assets licenses got reinstated. On the power front, if you see the gas prices, this quarter, around 5% increase in the gas prices, which is getting reflected into our increased power cost.

Plus, we have got more shutdowns in this quarter, capacity utilization has been limited, whereas there's an incremental power cost which gets consumed in shutting down and restarting the plant.

Moderator: We'll take our next question from the line of Utkarsh Nopany from BOB Capital Markets. Please go ahead.

Utkarsh Nopany: Good evening, sir. Sir, my first question is on the pricing part. So, I wanted to know like have we taken any pricing action in the March quarter and what is your sense on the pricing side in the near future?

Abhishek Somany: So, no we have not – in fact the pricing has been under pressure considering we wanted to sell more. And on top of that, so much of the export material which is coming into India. So as far as pricing is concerned, I think currently I don't have any particular strategy to increase pricing, but what we have done is we've become far more stricter on our receivables, even more stricter than ever.

And also, we have become stricter on our discounting, especially in the projects, sorry in the channel. The other thing which we're doing, I think is to improve our product mix further. So, I'm not specifically targeting any price increase in the immediate future.

Utkarsh Nopany: Okay. And sir for March quarter like if we understand correctly, we have not taken any pricing action and whatever the dip in the realization has happened in the March quarter on a Q-on-Q basis, it is mainly because of the product mix factor. Is it correct?

Abhishek Somany: No. It's also because of higher discounting.

Utkarsh Nopany: Okay. And sir second question is like our EBITDA margin has contracted slightly on a Q-on-Q basis despite steep increase in our revenue. So can you help us understand that why we have not seen the benefit of…?

Abhishek Somany: We have put in more capacity and therefore unutilized capacity has hit that margin

Utkarsh Nopany: I'm not able to understand, sir, can you please explain once again.

Abhishek Somany: I'm saying that we've increased capacity in the last 24 months and that capacity line; a lot of the capacity we've had a lot of plants outages. We would have wished to run these plants at approximately 88%, 89%, but we have run it at 81% and that 6%, 7% has hit the cost because at the end of the day labor we cannot lay off. It's not like Morbi. Morbi has zero ethics. So, they have zero labor laws also for them to shut down a plant is very easy.

They can shut it down overnight and bring back the labor overnight. We don't do that. When we shut the plant, the labor is sitting there. So that's the cost. So, the cost of shutting down any one particular line for us is far more than any Morbi there. That's what hit it. And in the ceramic industry at any given time, capacity utilization it gives the biggest upswing to the margin.

Utkarsh Nopany: Okay. Sir, my point was that like on a quarter-on-quarter basis, sir, our revenue has gone up substantially. And so, we should have seen some benefit of operating leverage kicking in and our margins should have been better?

Abhishek Somany: We have reduced, our pricing was also reduced. Pricing is reduced and a lot of the advertising also kicks in, in the end of quarter 3 and mostly quarter 4. So, both of those and we have had more discounting to sell more material in quarter 4.

Utkarsh Nopany: Okay. Thanks a lot, sir.

Kumar Sunit: Just to clarify, Utkarsh basically your question is with respect to sequentially growth in the top line. But at the same time, if you see there is a decline in gross margin and that's predominantly because of two reasons. This is what Abhishek ji was trying to explain you. One was the 5% reduction in capacity utilization on a total level which is a significant number in terms of operational efficiency and second the cost lever has also gone up like gas price has gone up by 4% to 5%.

So, these two are two very important things which impact the gross margin significantly and it has reduced. And then there is a third lever which is in terms of pricing discounting, which we have just put like incentivizing the channel to some extent considering the tough market situation. So, all these three put together almost resulting in almost 4%, 4.5% gross margin reduction, decline in gross margin. So that is getting impacted in the bottom line.

Utkarsh Nopany: Okay. Got it, sir. Thank you.

Moderator: Thank you. We'll take our next question from the line of Abhir Pandit from Oldbridge Mutual Fund. Please go ahead.

Abhir Pandit: Hi, sir. Good evening. Sir just wanted to understand on the bifurcation between retail sales and the project sales that you do, that is my first question. Also, sir, my second question is specifically, sir, that we are currently seeing a huge jump in real estate projects across India. So just wanted to understand how it is affecting your industry, specifically is it that the unorganized market is taking market share in this space or how is it going?

Abhishek Somany: So as project versus retailer I said earlier also the channel is approximately 80% and rest is between private project and government project and this in FY 26, the channel will go down to 75% and project will go up to 25%; because we are saying exactly what you see. A lot of the real estate projects are coming to finishing stage, a lot of the real estate projects will be taking piled. So, we are going to get more aggressive there. So, you will see the project sales going up. So, we will take advantage of what you just said.

Abhir Pandit: Okay. Sir, just - clarification, is it that already we are seeing that there is a good amount of execution going on. But in spite of that, there is a huge amount of pressure being seen by the organized tiling industry. So, is it that the unorganized market is probably due to pricing pressure is able to gain market share in this space?

Abhishek Somany: So yes, regionally they have gone and opened a lot of dealers, you will see this consolidation also happening. Every third foot you would find now a dealer, literally like how you would find a restaurant on the road, but every third shop is now a tile shop. So that also consolidate. All Morbi guys have gone and open dealerships left, right, and center in their desperation to sell, but these are all one-time sales.

The dealers are also fed up. The bigger dealers are also now bullish that there will be a consolidation in that front. So yes, you could be right that there is a little bit of market share, which has gone to Morbi at the very, very lower end in the last year.

Abhir Pandit: Okay. That's it from my side. Thank you, sir.

Moderator: Thank you. Next question is from the line of Nitesh Dutt from Burman Capital. Please go ahead.

Nitesh Dutt: Hi, thanks for the opportunity. I just have one question. Sir, you have given quite an optimistic outlook for FY '26, both in terms of top line and EBITDA margin. So specifically on demand, what is it that's making you believe that the muted demand would turn back in FY '26 and have you already started seeing some of these signs in Q4 or in this quarter, especially in Tier 2, Tier 3?

Abhishek Somany: Yes. So, I think my optimism comes from quarter 4. It was slightly better than quarter 2 and 3. And then also April has been slightly better than last year. So that's where the optimism is coming from. And we do believe that a lot of these projects, which I spoke about which are coming to closure and tiles are going to start getting used over there that also is optimism and plus I think last 2 years, what has happened is a lot of people deferred their purchases, putting their money in the stock market and putting the money in land. That party consent is getting over.

Therefore, a lot of people will start getting focused on their basics of renovations, making new homes and more importantly these builders finishing the flight. So, all of those three things are optimistic from a domestic point of view. From an international point of view, we are quite optimistic that the freight rates have come down very significantly. As far as American tariffs are concerned which is a positive for India for the tile market. So overall, I think exports should also grow.

Nitesh Dutt: Got it. Thanks for that and sir one more clarification I think in your opening remarks you had mentioned high single-digit guidance. I just wanted to confirm that I slightly missed this?

Abhishek Somany: Yes. I had guided earlier.

Nitesh Dutt: Okay. Got it. Thanks. I will come back in the queue.

Moderator: Thank you. We'll take our next question from the line of Ritesh Shah from Investec. Please go ahead.

Ritesh Shah: Hi, thanks for the opportunity. Sir two questions. One is are we doing anything different on the distribution side into the next fiscal or years ahead?

Abhishek Somany: I think the only difference is that we are getting more focus line-wise. So we're making our own distribution where we having sanitary ware, we are trying to be only sanitary ware until it comes to a certain scale and only then given the other products and tiles and the three kinds of tiles GVT, PVT ceramics, we are again getting focused there.

The tiles are becoming larger and larger. The dealer shops are not going that large. So therefore we are able to make more focus bigger. So those are the two things which we're doing differently. Otherwise, the other thing which we continue to do which we were doing earlier is to continue to increase our footprint in the Tier 3, Tier 4, Tier 5 towns.

Ritesh Shah: Sir, on the first part what you answered, is it possible to give some numbers around number of stores, exclusive stores or specific to GVT PVT that we have or where we aspire to be?

Abhishek Somany: I don't have the numbers exactly on GVT PVT numbers exactly, but that I can give you offline. But what we did is 181 net dealerships we added and approximately 41 new exclusive stores we added.

Ritesh Shah: Sure. Sir, my second question was, I think one of the earlier participants did ask you on volume growth for the larger peer was higher than ours, and you attributed it partly to lower quality and pricing. Is it possible if you can qualify these two variables when we said lower quality and pricing, pricing...

Abhishek Somany: Lower product mix. I didn't mean lower quality. I meant lower product mix

Ritesh Shah: Perfect. So, on product mix and pricing, I think on pricing, is it possible to qualify what is the price point that we start to sell at versus the market leader versus Morbi?

Abhishek Somany: No, I'm unable to comment there, and that's something we wouldn't want to diverge exactly what we do in each segment. What is open to the public is that the erosion has been approximately INR11, INR12 erosion is about INR3, INR4. So, price-wise, segment-wise, I will not want to diverge exactly how much I'm selling.

Ritesh Shah: Correct. And last question, would we be open to launch SKUs which have a lower price point to go after that segment of the market to get volumes and gain on operating leverage? Like are we open to that or it's a no zone for us?

Abhishek Somany: No. No. I think if I were sitting at 60%, 70% capacity utilization, maybe you would have thought of it. But at 81%, I'm quite sure that a little bit of patience will prove a much more beneficial situation for the long run. Coming down in price is extremely easy. Once that happens, then it cannibalizes your mother brand and then it's a slippery slope. No, we don't want to have a product-mix product. So, therefore, we are sticking to our strategy, which means that our success comes in a couple of quarters late, so be it, but we do not want to compromise the pricing on the mother brand.

Ritesh Shah: Thank you so much. All the very best.

Moderator: Thank you. The next question is from the line of Sneha Talreja from Nuvama. Please go ahead.

Sneha Talreja: Thanks a lot for the opportunity. Just more of an industry nature question. If I look back to 2015 days or probably 2015, 2016 ending days, we always used to have a very strong double-digit growth rate in the industry, be it for you, be it for a leader. What are the changes that you would have seen in the last 10 years, which have brought us here? One thing that I could probably think of is the overcapacity in Morbi. But what's the changes that we have seen with respect to demand and on-ground acceptability of tiles, which is where we are seeing some amount of slowness here

Abhishek Somany: I've been in the industry with driving seats for about 20-something years, and I've never seen a year where there has been an under capacity in Morbi. I think what has happened in the last couple of years is that, especially just pre-COVID and after COVID, a substantial amount of sudden capacity increase happened. Looking at a very large export that didn't happen, and that capacity has found its way in India.

So, some kind of -- to the earlier gentleman has asked, some little bit of market share has gone off the organized industry to Morbi. But this, over time, will start correcting once again. Everything has a wave. There's been a wave of 20 different brands coming in, and we've seen the situation of these new brands, except a few of them.

Most of them have fumbled; most of them have had hiccups. So, we will see a consolidation in this industry, exactly how the paint industry was maybe 35, 40 years ago, where there was a serious consolidation. So, I think it's time that there will be some kind of consolidation happening unless export cycles move. I think that is one.

Secondly, the base is much, much larger. So, I doubt whether we will be looking at very large double-digit growth. There may be a year or two again, which there could be. But otherwise, we need to look at the value growth; other than the volume growth, we are also looking at improving our margins. We are lower than industry data even today, so that's something which we're very focused. We have been able to do a lot of work on our balance sheet, and we'll see more of that happening this year.

And also, you will see more of that happening in terms of narrowing the margin. So, we focus both ways. It's very easy for me to increase capacity or get other sales by sales whether organically or inorganically, but that's only a slippery slope. So, while we are concentrating on margins, I don't want to become too obsessed and too greedy about that double-digit growth. It doesn't matter. What matters is how I improve my EBITDA, and our balance sheet is under complete control.

Sneha Talreja: And is there any way we can gauge the kind of overcapacity that we are sitting with of course, you said that going ahead, you see that easing out. But is there any number of industry getting utilized today? And structural reasons why you believe that the operating level of the entire Morbi will go up, and thus we could see some sigh of relief?

Abhishek Somany: I think 70-80 plants is what I told. There are 3 issues which Morbi is going to face in the future, which has already been facing earlier, this is only intensified. One is a lot of the financing which used to come from various sources in Surat etcetera, has kind of dried up because that industry is also not doing very well in India.

The second reason is that the land prices have increased absolutely in Morbi. It's become that much more expensive to buy land. Thirdly, the taxation in Morbi, specifically in Gujarat, has made it very difficult for people to come into an alliance and into a partnership and then break the partnership. So, people are getting much more careful in these casual partnerships in plants and whether they join as a small partner, a big partner, and then they leave whenever they want to.

And more importantly, what I feel is happening in Morbi is that which is going to affect their existence is their patience to hold on to pricing and their patience to hold on to quality. Both of these has got compromised very, very substantially last year, and this has now started telling on the consumers and the dealers. So, we believe that all of these put together, we think another 70, 80 plants, if not more, will get shut in Morbi again this year.

Sneha Talreja: So, these must be old plants, which are now getting uneconomical given some old.

Abhishek Somany: Some old some new.

Sneha Talreja: Understood. Thanks a lot for the opportunity, sir. All the best.

Moderator: As there are no further questions, I now hand the conference over to Mr. Abhishek Somany for closing comments. Over to you.

Abhishek Somany: Thank you so much, gentlemen and ladies. This has been a very tough year, and we hope to have a much, much better year. We are very confident balance sheet is under place. No further expansions happening, no further expenditure happening in terms of capex. We are all geared towards utilizing the capacity more and also improving our value-added mix. So, looking forward to a good year. Fingers crossed; all should go well. Thank you so much.

Moderator: Thank you. On behalf of SKP Securities, that conclude this conference. Thank you for joining us, and you may now disconnect your lines.