July 25, 2025

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

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

Dear Sir,

Re.: Transcript of Conference Call

In continuation of our letter dated July 22, 2025, informing about the uploading of the audio recording of the Conference Call held on July 22, 2025, we enclose herewith transcript of the said Conference Call, in compliance of the provisions of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

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

Kindly take the above on your record.

Thanking you,

For Kajaria Ceramics Limited

Ram Chandra Rawat
Digitally signed by Ram Chandra Rawat
Date: 2025.07.25 12:57:36 +05'30'

Ram Chandra Rawat
COO (A&T) & Company Secretary

Encl.: As above

"Kajaria Ceramics Limited

Q1 FY '26 Earnings Conference Call"

July 22, 2025

MANAGEMENT: **MR. ASHOK KAJARIA – CHAIRMAN AND MANAGING DIRECTOR – KAJARIA CERAMICS LIMITED**
MR. CHETAN KAJARIA – JOINT MANAGING DIRECTOR – KAJARIA CERAMICS LIMITED
MR. RISHI KAJARIA – JOINT MANAGING DIRECTOR – KAJARIA CERAMICS LIMITED
MR. SANJEEV AGARWAL – CHIEF FINANCIAL OFFICER – KAJARIA CERAMICS LIMITED
MR. KARTIK KAJARIA – HEAD, ADHESIVES DIVISION – KAJARIA CERAMICS LIMITED
MR. PARVEEN GUPTA – DVP FINANCE – KAJARIA CERAMICS LIMITED

MODERATOR: **MS. SNEHA TALREJA – NUVAMA WEALTH MANAGEMENT LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to the Kajaria Ceramics Limited Q1 FY '26 Earnings Conference Call hosted by Nuvama Wealth Management Limited. 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 and then zero on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Sneha Talreja from Nuvama Wealth Management. Thank you, and over to you, ma'am.

Sneha Talreja: Thank you, Vishakha. Good evening all. We welcome you to Kajaria Ceramics Q1 FY '26 Conference Call. We are today joined by the senior management of Kajaria Ceramics represented by Mr. Ashok Kajariaji, CMD; Mr. Chetan Kajaria, Joint Managing Director; Mr. Rishi Kajaria, Joint Managing Director; Mr. Kartik Kajaria; Mr. Sanjeev Agarwal, CFO; and Mr. Parveen Gupta, DVP Finance. We will now start with the opening remarks with the management, followed by the Q&A.

I will now hand over the call to Mr. Ashok ji for his opening remarks. Over to you, sir.

Ashok Kajaria: Thank you, Sneha. Good evening, everyone. It gives me great pleasure to welcome you to the quarter 1 FY'26 earnings conference Call of Kajaria Ceramics Limited. Joining me on this conference call is the senior management team of Kajaria Ceramics.

In quarter 1 F Y'26, overall market demand continued to remain soft. Our consolidated revenue for the quarter stood at INR1,104 crores, indicating a 1% year-to-year decline compared to the corresponding period last year, mainly due to low growth in tiles volume and decline in ply sales due to closure of this division. However, the margins have improved in quarter 1 FY'26 to 16.72% as compared to 15% in quarter 1 FY'25.

During our last interaction, I had mentioned that we had initiated certain measures to optimize our sales and marketing resources, but had not detailed the road map. Having covered some ground in implementing our strategy, I would like to take a moment to illustrate our marketing blueprint.

When we entered the Vitrified Tile segment through trading, our Ceramic Wall and Floor Tile segment was already an established business vertical. To accelerate growth in vitrified tiles, we created a dedicated marketing channel and team. That plan worked well and our Vitrified Tile business scaled rapidly.

Times have changed, which mandated a rethink. Product differentiation between ceramic and vitrified tiles is marginal at best. Ceramic tiles are more for wall and vitrified tiles are, as they can be made in bigger sizes, are more relevant for floor, though they can be used interchangeably.

Considering these realities, we are in the process of integration of our 3 tile divisions into one. Our unified teams will drive efficiency and scale volumes. Our combined distribution network will showcase our entire range of tiles, which is beneficial to our customers. This integration will enable us to streamline resource deployment, optimize costs and enhance organizational agility in responding to evolving market dynamics and customer preferences.

In this quarter, we initiated this transition in some states and have received encouraging feedback. Although the overall sales volume was muted due to external factors and the adoption of this unification strategy, we are confident that the complete adoption of this strategy will result in making Kajaria a lean and thin organization.

With this, I take the opportunity of thanking you for joining us today. Thank you, Sneha.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Rahul Agarwal.

Rahul Agarwal: Sir, basically, 3 questions. Sir, something you want to share on the current trends of the tile market. You didn't touch upon that. I just wanted to know what is the outlook for this year on both on domestic, as well as export market for tiles? That's the first question.

Ashok Kajaria: You can repeat -- you can tell all I will reply. I'll try to reply all together.

Rahul Agarwal: Okay, sure. Secondly, on the cost side, when I look at your P&L for first quarter, it looks like gross margin expansion has actually flowed through to EBITDA. When I look at staff cost and other expenditure, they are flat Y-o-Y. So all 3 line items on the cost side, I think there is a fair bit of optimization. If you could elaborate a bit more, how do you see the full year in terms of cost? And what kind of margins would you expect? That will be helpful.

And thirdly, just wanted to know, based on now the plywood division is now shut, Bathware, I think this quarter reflects only Bathware revenues on the other segment. So that business looks -- the EBIT is about INR4.5 crores. So some outlook on that? And what is the total savings would you expect from plywood and Bathware being profitable for fiscal '26 as compared to '25? If you could just highlight that, that will be helpful. That's all.

Ashok Kajaria: Okay. Three questions you asked. The first one is regarding the domestic and export market. The domestic market is still muted, but I think things should be slightly better as we go forward for 2 reasons.

One, the export, which was INR20,000 crores in '23-24 has come down to INR16,000 crores in '24-25 because of high freight rates and external circumstances like the problems in Israel, Hamas and all that. Things are basically getting neutral. So this year, exports for the first 3 months is about INR4,500 crores. And going forward, it seems that the exports will definitely be between INR18,000 crores to INR20,000 crores.

The moment exports pick up, the domestic market should also improve. I think the kind of government spending, which was muted last year because of various reasons, mainly because of the election year, should also pick up. If the government starts investing in infrastructure more, which they will, things at the domestic level should also get better.

As far as the cost scenario is concerned, we have -- since this process has started from April, we have let down a few -- left few people. We are optimizing our costs. Also, the promoters are not taking any salary this year.

As far as the third part is concerned, we have 3 divisions right now: Tiles, Bathware and Adhesive also. Adhesive last year did INR75 crores. This year, we are looking at a scenario where it should do about INR120 crores. This Bathware division, which did last year about INR400 crores, we are looking at about INR480 crores. So this will also generate additional value. And last year, Bathware lost some money. This year, it will definitely be profitable.

Rahul Agarwal: Got it, sir. Is it possible to quantify the plywood loss for last year, which will be saved this year, just to know the change Y-o-Y?

Ashok Kajaria: I think if you look at the numbers, you'll get all the things. Plywood also, everything has been squared off last year. This year, for the first 3 months, we have had salary expense of about INR2.5 crores, and it will also be there in July and August about INR1 crores, and that's it. Everything otherwise has been taken care in last year.

Moderator: The next question is from the line of Shaleen Kumar from UBS Securities.

Shaleen Kumar: Congratulations on a very good set of operating profit and earnings. Sir, I just want to little more understand what you talked about in terms of your strategy of optimizing your marketing. Sir, did I understand clearly that you had earlier different marketing people for different product and now you are bringing them all together under one roof?

Chetan Kajaria: Correct. This is Chetan here. As you said correctly, earlier, we had 3 teams. They were respectively selling ceramic, PVT and GVT tiles, polished and glazed. Now we have started the process of unification, meaning we are combining the teams together under a common head state-wise and getting more cost efficiency out there.

And a single guy will go to a dealer and sell all the 3 products in that basket. So dealer doesn't have to deal with 3 people in the long run. He just gives it to one guy who sells the entire product basket when he goes to a shop.

Shaleen Kumar: So earlier, there were 3 people going to the same distributor?

Chetan Kajaria: Correct. And no distributor dealers. We don't have distributor policy in our company. It was mainly dealers.

Shaleen Kumar: All right. And sir, how has this -- like what was the thought process behind unification of this, bringing them together?

Ashok Kajaria: You see this dialogue has been going for a long time. And I'm happy to inform you that our CFO, Mr. Sanjeev Agarwal, he insisted -- we had a lot of meetings sometime in Feb, March. He insisted that we should follow this, and I'm thankful to him that the dialogue led us to this path. And I think going forward, we'll be a lean and very solid company as we go along.

Shaleen Kumar: Right, right. No, sir, sounds like good. Just 1 or 2 questions more to it. So sir, any initial distributor feedback that you have got from when you're doing this? Can there be a concern that -- because distributor may be dealing with multiple people, now he's dealing with 1 person. Is 1 person adequate to offer all the products? What's the initial feedback you're getting?

Rishi Kajaria: Shaleen, it depends on the area and the size of the distributor. Smaller areas like a Trichy or a Jodhpur or the small areas, the people are very comfortable dealing with 1 person. But when it comes to some large areas and where the dealers are very big, instead of 3, we might be sending 2 people right now initially. So that strategy will change varying from dealer to dealer. But overall, the dealers are very happy. The initial feedback which we have got, they are very comfortable with the new system.

Shaleen Kumar: Right. So effectively, what we believe that this amount of sales and marketing people are enough? Or there is still more scope you think, we can bring it down?

Rishi Kajaria: So as we go along, we'll see, and we'll optimize more if required. We'll also might be keeping some new people for doing business development, meeting architects and all that. But we'll optimize our resources as we go along.

Shaleen Kumar: Got it, sir. And sir, I think Mr. Kajaria, you made a comment about promoters have not taken salary. Is it possible to quantify it? And is it like this year? Or is there any thought process behind it? Like when would you like to take it or any idea on that?

Ashok Kajaria: I think it was a very bold decision on the part of the promoters to forgo the salary for this year. And I'm sure it was a tough decision, but we went ahead with it. And I can also assure you what we have internally discussed that till we have a 4-digit EBITDA figure -- running figure of EBITDA, we will forgo our salary. Run rate of 4-digit EBITDA, we'll forgo that part of the salary. We'll forgo our salary.

Sanjeev Agarwal: Shaleen, the thing is that we'll consider taking it back only when we see a run rate of INR1,000 crores EBITDA. That's a challenge we have taken to ourselves just to show the solidarity and the confidence in the company, plus that we are bent upon to make this is a very lean and thin, and -- see as you say, charity begins at home.

So cost cutting also begins at home. So the promoter has shown to the organization then when they can sacrifice the salary, so others have also to follow the suit

So if they are not taking salary, they can say we are not giving increment. If they are taking salary and they are cutting our increment, then people say why you are taking salary. So promoters have started with themselves and then taken the cost-cutting measures across the organization.

Shaleen Kumar: Got it. No, sir. That's a great move. So we are saying that we will not take salary till we reach INR250 crores of EBITDA per quarter. And right now, we are at INR187 crores…

Sanjeev Agarwal: We will consider after that. I'm not saying we will make it, but we will consider after that.

Shaleen Kumar: Okay. That's a very good thing, sir. Pretty positive for the markets and for the minority shareholders. Sanjeev ji, since I have you here, can I also ask you about what happened in other expenses? We could see that they have dropped significantly. Is it just -- because I think part of it may be the sales, but sales may be staff cost? So what else is happening and how sustainable it is?

Sanjeev Agarwal: It is more -- Shaleen, it is more of some one-offs like in Q4, we had around 22 -- you want a comparison from Q4 to Q1 or Q1 to Q1? Because there is a significant variation from Q4 to Q1. So whatever you said, I can explain.

Shaleen Kumar: Agree. But even if I look at before that -- Q2, Q3, before that, you were running at INR140 crores, and now you are at INR113 crores, right? So even you can see 20% drop from Q2, Q3 is there, right? And obviously, Q4, I understand there were some one-offs, but even that is -- there is a big drop. So I just want to understand how sustainable...

Sanjeev Agarwal: I will start with Q4. In Q4, we had around INR22 crores of bad debt that was with respect to Ply and some London operations, which are INR4 crores in this quarter. And there was some fixed assets loss in the first quarter, we sold some machine in our Sikandrabad plant. So that was to the extent of INR5 crores, which is not there this time.

The traveling has gone down slightly. Advertisement has also gone down. So about advertisement, we are making a very -- I will request Rishi ji to explain about the advertisement as how we are optimizing our advertising resources in a more meaningful way without making any impact on the cost…

Rishi Kajaria: So strategically, Shaleen, what we are doing is basically we are optimizing, putting the money in the right places and where it matters the most. We are especially driving our advertisement branding moves in Tier 2, Tier 3 cities, where we'll get more market share. So we are doing a very strategic and a focused approach in advertisement to make sure that our costs also don't go up and we get the maximum mileage.

Shaleen Kumar: Got it, sir. So fair to assume that this run rate is sustainable, INR115 crores odd for the other expense? Can you work with that?

Sanjeev Agarwal: Yes, definitely. Even the INR4 crores bad debt is there in this quarter will not be there next quarter, but there may be some increase. So it's okay. We can say around -- between INR110 crores to INR120 crores run rate you can consider.

Shaleen Kumar: Right, sir. So sir, is there a...

Sanjeev Agarwal: Shaleen, can I request others to -- give the opportunity to ask the question, please.

Moderator: The next question is from the line of Keshav Lahoti from HDFC Securities.

Keshav Lahoti: So sir, firstly, how is the fuel cost for North-South, the number which you used to give in all the calls? Can you give that?

Ashok Kajaria: Yes, yes. For North, quarter 1 is INR38, for South INR39, for West INR36, average is INR37.

Keshav Lahoti: Okay. Okay. And the same trend continues now, right?

Ashok Kajaria: Yes, yes. There's not much change. There's not change.

Keshav Lahoti: And what was the promoter salary in FY '25 for the whole year?

Chetan Kajaria: For the full year, it was INR17 crores. You can see that it is around INR4 crores in this quarter.

Keshav Lahoti: Okay. Got it. And sir, lastly, this Nepal -- hello, am I audible?

Moderator: Yes, you're audible.

Keshav Lahoti: Sir, last question. Sir, this Nepal is -- it's a JV. So normally, you combine Nepal volume in the total volume what you show in PPT?

Sanjeev Agarwal: No, we are not combining it because this is 50%, 50%. So we are just adding below the line.

Keshav Lahoti: Okay. And you had a plan to increase this 50% to 51%?

Sanjeev Agarwal: No, we have taken a levelling resolution, but we have not done so.

Keshav Lahoti: Okay. Understood. So whether this will happen this year? Because once it becomes 51%, then possibly you will plug in the entire volume.

Sanjeev Agarwal: It may not come even.

Keshav Lahoti: Understood. Got it. And Nepal, what would be the sales utilization? We can see from PPT, the production, but the sales and production are broadly in line or possibly sales would be way lower?

Sanjeev Agarwal: See, the profitability is difficult to say because the volume is not much. So we have done -- the capacity is running at a capacity utilization of 60%, 70%. But we have to cover lot of things in Nepal. As some inventory build-up is there, we have to take care of that. So though optically, there is some profit in that operation, but I will not consider this as a profit. So we will not guide about the profitability as far as Nepal is concerned today.

Keshav Lahoti: Okay. And what would be the Nepal sales volume for this quarter?

Sanjeev Agarwal: Sales volume was around 0.61 million for the quarter.

Moderator: The next question is from the line of Pujan Shah from Molecule Ventures.

Pujan Shah: My first question would be a very naive question, but just wanted to understand a brief idea of the industry dynamics which is shaping up. So we have seen the last 2 years have been very muted in terms of growth for the industry as well? And understanding that part while real estate cycle has been very stable?

So what is happening which is not able to grow the industry? Is it about that export has been a decrease, which has been right now getting used in the domestic, which is impacting the margins or the sales growth? Or what is happening in the industry sector?

Ashok Kajaria: See, industry is muted. As you said, real estate is doing well, but real estate is not fully doing well. What was happening a year back is not the position today, number one. And number two, if exports pick up, as I said, partly, they have already started picking up. If they pick up, it will definitely be improved in domestic industry. So I think we can look at the internal factors, which we are working very hard. But at the external factor, still it's very difficult to comment how things will shape up.

Pujan Shah: Right, sir. But just wanted to understand, we are doing everything what we can do in the terms of structuring internally. But just wanted to understand on the industry side, what has happened in the last few years, which have never been happened because ultimately, in India, the consumption story will be very strong. So what happened in the last 2 years?

Ashok Kajaria: See, if you look at all the building material industry, they are all not growing. If you look at it, any industry which is related to the building industry. You take anybody, whether it's paints, whether it's ply, whether it's this thing or -- nobody is growing exactly. So demand still remains muted as far as the domestic consumption is concerned. Whichever is doing exports will be doing all right.

But as far as domestic industry is concerned, demand is still muted. In spite of the reduction in interest rates, in spite of Reserve Bank releasing the money in the system, it still is muted. So we hope it should improve from the quarter -- after quarter 2.

Chetan Kajaria: To add to that, our dealers tell us that the customers' footfall is very, very less in their showrooms. So unless that improves, the real growth will not happen.

Pujan Shah: But sir, absolutely, I understand each of the industries has been suffering out. I understand the paint, I understand the pipes. But all of a sudden, in the last 2 years, I expect that in the coming quarter, there will be a demand shaping up very well. But in the previous 2 years, what such things have happened that the cycle has not been shaping up very well. So what -- I understand...

Ashok Kajaria: I have tried to explain to the best of my ability. You please try to find out from the other industries also why things are not looking up. Instead of me answering all the questions, I think you should find out from related industries also, it will help us also.

Moderator: The next question is from the line of Pranav Mehta from Equirus Securities.

Pranav Mehta: Very heartening to see that the margins have improved solidly in this quarter. Sir, I wanted to understand on the Adhesives business. So how are we seeing things picking up in that segment? And how are we placed in terms of, let's say, the strategic growth that we are targeting in this segment along with what kind of margins we are targeting in this segment, sir?

Chetan Kajaria: You're talking about adhesives, right?

Pranav Mehta: Yes, adhesives.

Chetan Kajaria: Last year, our turnover was INR75 crores. And as the MD said in the beginning of the call, we're looking at INR120 crores plus this financial year. Our EBITDA margin currently is 17%. Now with this unification of division happening, we are looking at a good and positive growth going forward, utilizing the expertise of all our division salespeople.

And our -- one plant is already operation in Gailpur, Rajasthan on the 30th of May this year. Another plant is in the pipeline in a place called Erode, which is a couple of hours from Coimbatore in Tamil Nadu. The paperwork is going on, and we expect that plant to be operational in the next 3 to 4 months to cater to the southern markets.

Pranav Mehta: Okay, sir. And sir, how are we looking at, let's say, increasing the portfolio in this segment in particular? So we will be focusing more on the, let's say, Tile Adhesives and related segment only? Or are we going ahead with some new chemistries as well?

Chetan Kajaria: Currently, we are focusing on the Tile Adhesives segment only. We have all the adhesives, epoxy grouts related to the tiles currently in our portfolio with all the different CX1, VX1, LX, EX, all the variants available in the catalog. That's our primary focus as of now.

Moderator: The next question is from the line of Girish Choudhary from Avendus Spark.

Girish Choudhary: Congratulations to the entire team for the margin performance. My first question is again on the cost reduction measures, right? You spoke about the various initiatives. But if you can help us guide on how to quantify this going ahead in the sense how much has been realized this quarter and how much more scope is left to be gained going ahead, that will be helpful. Basically just to ascertain the sustainable EBITDA margins for the company post these measures?

Sanjeev Agarwal: See in this quarter, the measures which we are taking, which we intend to take, there is not much impact of those in this quarter as far as cost cutting is concerned. So going forward, we'll be taking -- we are working on many issues like we are working on boxes. We have reduced the cost of our packing material.

We are looking to reduce -- we are renegotiating our outsourcing material. We are focusing to revisit our raw material prices. All the cost area we are revisiting. All the -- everything is very, very important to us.

So the benefit of that will emerge going forward in the coming quarters. But I can't say whether it will result in improvement of EBITDA or not because EBITDA is a product of selling price, gas price and cost. I can -- I'm confident about cost reduction. And whether it will result in what type of EBITDA that is yet to be seen.

Girish Choudhary: Okay. But assuming the prices or realization remain as it is, I mean, just to understand -- I mean, what -- how much of impact can it come on the EBITDA, right? I mean, like you said, this quarter, not much has come and we have seen a significant improvement in the margins...

Sanjeev Agarwal: See, in this quarter, there were -- some one-offs were not there in this quarter. So some -- even the advertisement was low. So going forward, if the things -- see, I can say if the selling price remains the same, gas price remains the same, so EBITDA should improve.

Girish Choudhary: Okay.

Sanjeev Agarwal: So -- but I can't say about the -- like in this quarter, the selling price has slightly gone up, whether it is sustainable next quarter or not because the volumes have also not gone up. So we don't think the selling price will go up. So we'll focus more on volume. So might be we may have to give some discount to the market. So we don't know. That's why it's unable comment on the margin. But if the selling price hypothetically remains stable, then we will get some benefit out of cost optimization.

Girish Choudhary: But the other thing is, can we assume the current quarter margins as a base case minimum going ahead from here on?

Rishi Kajaria: So it's difficult to calculate, as we said, because we also might have to reinvest back in the market. So we also have to reinvest back in the market to maybe gain some more market share. So we are doing our work, but it's very difficult to give you the calculated numbers what it will be. But you'll see an improvement every quarter.

Girish Choudhary: Okay. Got it. I mean, given these -- my other part of the question is that given the streamlining of resources and on integrating the division, right, I mean, have you seen any revenue impact because volumes have not gone anywhere or I mean, it's not impacting the volumes or revenues?

Rishi Kajaria: So as we said, the demand is muted, and it has not impacted any volumes. I think we have remained flattish in this quarter.

Girish Choudhary: Okay. So you don't see any impact to volumes because of the integration?

Rishi Kajaria: So yes, it will slowly come. We are right now consolidating. So right now, we'll have more of a cost benefit and slowly going forward, that volume impact will come.

Sanjeev Agarwal: And this year, focus will be to make this happen because of the big change we are doing in the organization. So the focus will be -- though we would like to go -- nobody would leave the sales growth. We are also trying for the sales growth, but the primary focus would be to implement the big strategy change which we have undertaken in the organization, make the organization lean and thin. And whenever the growth comes, then we will be very equality growth.

Girish Choudhary: Got it. Sir, my last question on the capital allocation. Now that we have close to INR500-odd crores of cash. I mean, if you can just guide us on the capex for the year and the dividend payout numbers as well.

Sanjeev Agarwal: There is hardly any capex. This year capex would be around INR100 crores, INR150 crores. That is also because of the new office we are making and some normal capex. We are not adding any capacity in this financial year.

So there will be some increase in cash. So as of now, we have no option but to keep the cash, but we might, as subject to Board approval, we are -- me as a finance person is okay to return the cash to the shareholder. If we need to increase our dividend policy, we will put it to the Board. Either we need to give the return to the shareholder or we will not keep their money in our bank account beyond a point.

Girish Choudhary: But any thoughts on any, let's say, inorganic acquisitions and all. I mean just...

Sanjeev Agarwal: No, we are not looking for any big thing. We are just being very conservative and very consolidating ourselves.

Moderator: The next question is from the line of Akash Shah from UTI Mutual Fund.

Akash Shah: Sir, just wanted to ask regarding the management structure. So earlier, if I remember correctly, Chetan sir, used to look at Ceramic Tiles division as well as plywood and Rishi sir, used to look at Bathware and GVT, PVT. Now we are trying to combine ceramic, PVT, GVT and -- I mean, all the Tiles division.

So -- and plywood is shut now. So sir, how would the management team -- I mean, how would the promoter look at the business? I mean, who would be managing which division, if you can share?

Ashok Kajaria: See, as far as Tiles division is concerned, now there is no such thing as ceramic, PVT, GVT. It's a unification. Between Chetan and Rishi, they will look after the entire division. And geographically, they will work on divisions, but basically, these 2 are the day-to-day bosses of the division. As far as adhesives is concerned, my grandson, Karthik is looking after that, and he's in charge of that division. As far as Kerovit concerned, Rishi is looking after the Kerovit division.

Sanjeev Agarwal: See, the whole tile market has been distributed area-wise, it is not division-wise now. So one person -- Chetanji would be looking 50% of -- half of India will be looked after by Rishi ji. So they both are working together in close coordination with each other.

Akash Shah: Right, right. Sure, sir.

Ashok Kajaria: No, let me clear also. Earlier, one was looking after ceramics, the other was looking after PVT, GVT. Now what we are seeing, both have to know exactly what is happening in both the areas. So as a result, it is a great, great unification, which has happened. And as Sanjeev said, the year is where we unify, we consolidate and volume will come secondly because volume is also necessary, but the key focus will be unification, unification and unification.

Moderator: The next question is from the line of Shaleen Kumar from UBS Securities India.

Shaleen Kumar: Yes, sir. Just 1, 2 clarification, right? The volume impact, when you're talking about positive or there can be negative volume impact?

Ashok Kajaria: No, no. There will definitely be a positive impact. You see what happened, Shaleen. First quarter, the partly experiment went through because partly was done on 1st week of April, partly was done in mid-May. You will definitely see a volume growth from here on. Exact numbers, we can't decide right now. I can only tell you that it will be a positive growth going forward.

Sanjeev Agarwal: I think, Shaleen, your question is because of the unification, the volume will go or down. So my answer and what sir also wants to say that unification is good for volume growth. It will help us to take even better market share, but there are some external factors which we are not unable to say anything. So unitization is growth accretive, it's not growth decretive. But external factors, we are not commenting.

Shaleen Kumar: Yes. Got it. No, I just wanted to clarify because of the -- I think the previous participant question was impact. So just wanted to clarify on that, which side of the impact you were talking about. And Sanjeev ji, then why are we not committing towards the margin, right?

If we think that -- if the price remains where they are, if gas costs remain where they are, you are doing some cost initiatives, you're looking at the positive benefit of the strategy, then why this can't be a base margin, right? This should -- the margin should be better only from here?

Ashok Kajaria: See, what Sanjeev said earlier, our costs will be coming down. That's one part. That we can commit to you that costs will come down during the course of the year. If all factors remain the same, 2 things he said, that if gas prices remain the same, it is not our in hand. If the selling prices remain the same, margins will go up. If there is any turmoil in the industry, it will affect the margins.

And as I said also myself that if the exports pick up, the domestic market will definitely start looking up because domestic market, as one of the participants asked, has been very muted for the last 2 years. It should not remain the same. So with that, definitely, things should look up. So we are just not giving any guidance at this stage, but we'll keep on working in a positive manner.

Chetan Kajaria: Also, Shaleen, to reiterate, we might need to reinvest, as Rishi ji said, back in the market to gain volume share also. So based on all these factors, giving a concrete guidance on margin is very tough as of now.

Sanjeev Agarwal: And Shaleen, we have learned over our past thing that it is better to say less and perform better. So we will always try to surprise the market rather than giving better -- more guidance than what we perform.

Shaleen Kumar: Sure, sir. I understand. So we just wanted to understand on the cost side, I think that we are comfortable on the cost side.

Moderator: The next question is from the line of Ritesh Shah from Investec.

Ritesh Shah: A couple of questions. Sir, first is, in the last quarter, you had indicated rebranding exercise. And I think you had hinted towards what we have announced this particular quarter. But sir, my question is, what is it that prompted us to do this? Like why is it that we are doing now? I think you did thank Sanjeev ji for pushing you on this. But what was the underlying reason why we are doing this particular exercise right now?

Rishi Kajaria: Ritesh, see, earlier, it was required to have different people selling those different tiles to the same dealer. As in the last 2 years, there is so much of product commonality -- the products have become so common that it was not making sense. So finally, after a lot of discussions, internal deliberations, especially, the *jhatka* (shock) we got from the last quarter, we all really sat down on the table and we discussed what is the way forward.

And after a lot of deliberation and all, we took out that the way forward is that we have to unify and we have to optimize our resources. And going forward, this is what we plan to do. So that is why it took us time. It took us a shock, but now we are on the right path.

Ritesh Shah: Right. But sir, to whatever limited understanding I have of our strategy, I think we were always aware that there are certain SKUs in a particular store, which will not be available and we will ask the buyer to go to the next store for that particular size, say, from PVT to GVT and historically, we have maintained that there is no negative volume impact because of that. So what is it that has changed? Is it the underlying volume growth was lower?

Rishi Kajaria: So, I'll tell you. There's no negative growth in terms of volume, however there's a lot of cost impact. I'll tell you, for example, in ant place we were having 3 showrooms, 3 experience centres. This is not required, right? So now going forward, like in Bombay, we have combined all the 3 experience centres into one. Banaras, we opened a single experience centre.

So we are now optimizing ourselves. And yes, as you said that this year, we might not see a spurt in volumes, but we'll definitely -- we'll have an impact of consolidation and a lot of cost optimization will happen. And going forward, definitely, a volume increase will also happen. When it will happen, we can't comment yet because it's not in our hands. But what is in our hands, which is the cost and everything that is definitely we are working a lot on that.

Ritesh Shah: Sure. Sir, this is helpful. My second question is we had different stores, Star, Prima, Prima Plus, Eternity, Eternity World, Gres Universe. We have been adding the type of stores. So when it comes to the end distribution, how should we look at the consolidation over there? And if you can help us with the number of stores that we have and what is the road map on consolidation over here?

Rishi Kajaria: See, right now we have about 1,850 dealers, where about 440 dealers are exclusively selling Kajaria Tiles. Right now, they might be selling 1 vertical, 2 verticals, 3 verticals, maybe ceramic, PVT, GVT or either of the 3. Going forward, as we go along, definitely, things will get better. The same store will be, maybe selling all the 3 verticals, all the 3 ranges. So as we go along, the consolidation will happen. With the same network, we'll be able to get more value out of them. So as we go along, the branding will also change.

Ritesh Shah: Right. Sir, sorry to dig a little bit more. I think underlying strategy for us, what was earlier is we have more shelf space. It helps us display more and that effectively helped us sell more. Now when we are consolidating the end distribution network, we are seeing in the same store, we will have ceramic, GVT, PVT, which essentially means that the number of SKUs on display will be lower. So it's something counterintuitive to what we had always indicated. So how should one understand on the asset turn at the store level? And second is the inventory and working capital?

Rishi Kajaria: So shelf space is not going down. That shelf space, whatever it is still remains. In fact, now we are motivating the same dealer that maybe he was only selling ceramic tiles earlier. And now with the same -- with the consolidation, we are motivating the same dealer that you open another store and you sell vitrified tiles as well.

So those -- the dealers which were under pressure from a single vertical, now they want to grow -- which they always wanted to grow, now getting this opportunity to grow now with this unification. So it's a win-win strategy going forward all the way. Shelf space will not go down, it will only go up.

Ritesh Shah: Yes, shelf space is the same, but the number of -- yes, sorry.

Ashok Kajaria: No, no. I will answer that. Shelf space, the question which you asked, 2 years back, if I take you, the average size of the showroom was between 3,000 to 5,000 square feet for a dealer. Today, that showroom size has gone up from 5,000 to 10,000 for certain dealers because they are saying how can I start display in a lesser store, I have to have a bigger outlet.

As Rishi said just now either he's opening a next store or he's expanding the existing area. The shelf space has gone up by 50% to 100% in the last 2 years on the dealers, on the dealers themselves. The range has become bigger and bigger and bigger.

Ritesh Shah: Okay. And sir, last question, Kajaria ji, you had indicated in the last call that we had our focus on government orders, that number will actually increase from 4% to around 10% in FY '26. And we had special teams in North, which were doing liaising. Sir, where do we stand over there? Is this part of the business moving as desired?

Ashok Kajaria: I think currently, it has gone up from 4% to 6%. But going forward, it can increase further.

Ritesh Shah: Okay. And sir, just last one question I would like to squeeze. We had come up with a Keronite brand, which I presume was economy tiles, probably better than Morbi, but we were giving a value proposition, which was there. Sir, where do we stand on our strategy over here?

Rishi Kajaria: So we have discontinued our strategy. We tested that strategy in a couple of markets. It didn't do that well. So we have now -- and now with this unification, anyways, that problem is solved. So now we have discontinued that strategy and that brand is over.

We have hardly any stocks left. It is -- in the next 1 or 2 months, it will be completely finished. So it was a test market, which didn't work well. I think this -- the new strategy is any day better. So we have discontinued that. And now we are only focusing on Kajaria, Kajaria and Kajaria.

Ritesh Shah: Possible, can I squeeze one more question?

Rishi Kajaria: Yes, please.

Ritesh Shah: Or else, I will join back the queue. Okay. Sir, just to understand, what we make of Infra.Market as a marketplace, like we understand they are now the second largest player in the country, getting into JVs -- multiple JVs in Morbi. How do you rate the competitive intensity because of this? Is it good, bad? And how does it change things for us?

Chetan Kajaria: Intensity-wise, it really hasn't affected us that much.

Rishi Kajaria: To answer that, see, Infra.Market is really not impacting us as a brand. See, Kajaria is a known brand in the market. Any project we go to, we are the first preferred brand if you can compete on the prices. So Infra.Market, although it is the second largest, has really not impacted us in any way.

Sanjeev Agarwal: They are more of an aggregator rather than a competitor.

Rishi Kajaria: Yes.

Sanjeev Agarwal: So if you ask me to -- I will respect Simpolo, I will respect Varmora, more than Infra.Market. So Infra.Market is not a real tile player. They are not into tiles. They are into many other building products. So they are working as an aggregator. That's not a brand. Have you seen any brand like Infra.Market as far as tile is concerned or any product is concerned. So we will refrain -- I think we will refrain of making any comment on Infra.Market.

Moderator: The next question is from the line of Amit Purohit from Elara Capital.

Amit Purohit: Sir if you could highlight some of the regional trends in the demand that you have seen? And also second, on the gross margin, there has been sequential improvement. I understand Q1, if I'm not wrong, is a -- mix-wise, is a better quarter than the rest of the quarter. Is that the case one should think about it? Or is there something which is changing helping you to maintain this kind of gross margin?

Chetan Kajaria: In terms of the first question, regional demand. North accounts for 35% of our sales; for the South, which is 30%, West is 15%; and East is 20%. Tier 1 dealer account for 15% of our sales; Tier 2 and Tier 3, 30% each; and Tier 4 is 15%. So we are seeing a more uptick in Tier 2, Tier 3 cities where people are coming forward and making bigger showrooms also. So that's the regional split of our demand scenario. Question 2, I will let our CFO answer the question.

Sanjeev Agarwal: What was the question, about the gross margin?

Amit Purohit: Sir, gross margin, if I look at it, this quarter has been pretty strong. Sequentially, it has improved, although Y-o-Y broadly similar or slight improvement. So I just wanted to understand, is this that the mix is favorable during this quarter and going forward, this...

Sanjeev Agarwal: There was a slight -- as I said, there is a slight improvement in the sales realization. So -- and there was a reduction in other expenses. Raw material was also -- slightly there is some saving in raw material as well. So gross margin should remain in this -- I don't see any much change as far as gross margin is concerned going forward. So a lot of savings will come out of operating leverage, out of cost cutting, cost optimization. So that will add to the margin, if any.

Amit Purohit: Okay. And I mean, if I just do a rough calculation of assuming a high single-digit growth trends, a 16.5%, 17% margin probably will help us to achieve that…

Sanjeev Agarwal: We have already discussed enough on margins. So please ask other question. And I would request you to allow some other gentlemen to ask the question.

Moderator: The next question is from the line of Rahul Agarwal from Ikigai Asset.

Rahul Agarwal: Sir, any initiatives also happening on the Bathware side, if you could -- you want to talk about that? How do you look at Bathware profitability going forward? It's going to be a INR500 crores business. And I understand Bathware profitability could be better margin than tiles. So that could easily be like a 15% EBITDA business. Any thoughts on this division, please?

Rishi Kajaria: So Bathware industry right now, we didn't get any demand -- we had a flat quarter in terms of Bathware sales. The losses have gone. But yes, the profits are still to come. I think this year, if we work hard and we get a cheap numbers, the top line which you're looking for, I think the profits will improve.

Still our costs are high. I think the more we scale up with the same cost, the margins will improve. We'll not get the desired margin right now. But going forward, as the -- our top line has to increase much more because we already made our base very heavy with all the costs, and we have to work more on the top line.

Sanjeev Agarwal: And we are also revisiting our cost structure in Bathware as well.

Rahul Agarwal: Yes. That's what I wanted to check. I mean what could be levers there for Bathware? It could also be like INR75 crores, INR80 crores EBITDA number there?

Sanjeev Agarwal: That is more on tiles. So we will take everything one by one.

Rishi Kajaria: And again, Bathware, the main focus has to be they have to increase sales. As the sales increase, the things will get better. There's no growth happening right now. The growth has to happen.

Moderator: The next question is from the line of Sneha Talreja from Nuvama Wealth Management.

Sneha Talreja: Firstly, we're hearing a lot on Morbi or basically even the listed players taking price increases. Is that really happening on ground, price hikes? And what are the reasons for price hike at this point of time?

Ashok Kajaria: See, they have issued circulars, but it's actually not happening on the ground. So we are waiting for that and watching very carefully because the vision of Kajaria is to take a market share as far as volume is concerned. And as already said in so many words that we are on the cost-cutting drive. At the same time, we want to have better market share.

And for market share, you have to have patience. Let not the price increase take place because without that, also the margins are better and take a market share. So that is the mission, not looking at a price increase. And even otherwise, the prices have not gone up in any case.

Sneha Talreja: Understood. The second question was with other Morbi-based leading players expanding capacities geographically, how do we see our market share at that point of time? Does the competitive intensity increase from those players?

Ashok Kajaria: If you look at it, only one player is expanding geographically, that is Simpolo in South, where we already have a plant just very close to our Srikalahasti plant is there. But other than that, nobody is moving up. It's very difficult for them to move out of Morbi and expand anywhere in India.

Moderator: The next question is from the line of Shilpi Sharma from Prabhudas Lilladher Capital.

Praveen Sahay: Sorry, I'm Praveen Sahay from PL. So my question is related to the realization because if I look at on the last several quarters, overall realization is on the correction. And in the same time, if you can give a color. With the correction in the realization, your gross margin has improved significantly for this quarter, 160 basis points on the Y-o-Y side. So how it's -- that's RM cost has significantly...

Sanjeev Agarwal: We have already discussed gross margin. Next question, please.

Praveen Sahay: Related to realization, sir. Realization, sir, where you see this realization?

Sanjeev Agarwal: We have already said, there is a slight improvement in the realization. We have discussed this. Can we take the last question, please?

Moderator: The next question is from the line of Ashwath from Arihant Capital.

Ashwath: So, since we don't have any capex on our cards right now, do we see -- what percentage do we see of our sales coming in from subsidiaries and trading?

Sanjeev Agarwal: Sorry?

Chetan Kajaria: Coming from subsidiaries and trading?

Sanjeev Agarwal: What was the question?

Chetan Kajaria: How much is the percentage of sales in the subsidiaries.

Sanjeev Agarwal: It's given in the presentation.

Ashwath: Yes. Going forward, what do we see for FY '26?

Sanjeev Agarwal: As we said, we are not going to expand our capacity. So whatever the growth will come, that will come out of the unused inventory, unused capacity utilization. No, we are working on the full utilization. So some growth will come because of the reduction in inventory and when needed from outsourcing. We are not going to put up any capex in this financial year. So the growth comes, this will also reduce our working capital because it will result in liquidation of some inventory.

Ashwath: Correct, sir. So have you seen any market share improvement already in terms of Q1? I mean -- what do we target going forward since you did mention market share? So do we have any number...

Sanjeev Agarwal: We've already discussed this. When we are not commenting on top line growth, so there is no point of commenting on market share. But one thing we have made clear that this strategy will be -- will help us to take market share subject to external conditions.

Ashwath: Okay. And on your Nepal plant, sir, have you seen any improvement in terms of volume and...

Sanjeev Agarwal: We've discussed Nepal.

Moderator: Thank you. Ladies and gentlemen, that was the last question. I now hand the conference over to the management for closing comments.

Ashok Kajaria: Thank you, Sneha. Very well organized and thank all the participants who have been there, who asked questions or otherwise, and thank you for this conference call. Thanks a lot from the management and on my behalf.

Moderator: Thank you. Ladies and gentlemen, on behalf of Nuvama Wealth Management Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.