

October 22, 2025

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

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

Dear Sir,

Re.: Transcript of Conference Call

In continuation of our letter dated October 16, 2025, informing about the uploading of the audio recording of the Conference Call held on October 16, 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
COO (A&T) & Company Secretary

Encl.: As above

Kajaria Ceramics Limited

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“Kajaria Ceramics Limited
Quarter 2 Financial Year '26 Earnings Conference Call”
October 16, 2025



MANAGEMENT: **MR. ASHOK KAJARIA – CHAIRMAN – KAJARIA CERAMICS LIMITED**
MR. CHETAN KAJARIA – VICE CHAIRMAN – KAJARIA CERAMICS LIMITED
MR. RISHI KAJARIA – MANAGING DIRECTOR – KAJARIA CERAMICS LIMITED
MR. SANJEEV AGARWAL -- CHIEF FINANCIAL OFFICER – KAJARIA CERAMICS LIMITED
MR. PARVEEN GUPTA –DEPUTY VICE PRESIDENT, FINANCE– KAJARIA CERAMICS LIMITED

MODERATOR: **MR. RITESH SHAH – INVESTEC CAPITAL SERVICES INDIA PRIVATE LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to Kajaria Ceramics' Quarter 2 Financial Year '26 Earnings Conference Call, hosted by Investec Capital Services India Private Limited. As a reminder, all participant lines will be in listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Ritesh Shah, Joint Head of Research and Analyst Materials from Investec Capital Services. Thank you, and over to you, sir.

Ritesh Shah: Thanks, Samarth. Hi, everyone. Good evening, and thanks for joining. We have with us senior management of Kajaria Ceramics, including Mr. Ashok Kajaria, Chairman; Mr. Chetan Kajaria, Vice Chairman; Mr. Rishi Kajaria, Managing Director; Mr. Sanjeev Agarwal, Chief Financial Officer; and Mr. Parveen Gupta, DVP, Finance.

I would request Ashokji to start with the initial remarks, post which we'll have a Q&A session. Over to you, Ashokji. Thank you so much.

Management: Thank you. Thank you, Ritesh. Good evening, everyone. It gives me great pleasure to welcome you to the quarter 2 F '26 earnings conference call of Kajaria Ceramics Limited. Joining me on this conference call is the senior management team of Kajaria Ceramics.

In quarter 2 F '26, our consolidated revenue stood at INR1,186 crores, a marginal growth of 1% year-to-year compared to the corresponding period last year, mainly due to low growth in tiles volume and absence supply sales due to the closure of this division. During the last two quarters, market remained soft. Our sales growth was minimalistic, yet the company achieved a good operating margin and healthy cash flow, underscoring its operational strength and financial discipline.

As you are aware, the company is currently undergoing cost optimization journey focused on cost optimization, capital prudence and a strategic sales reset. This transformation is intended to build a leaner, more agile and growth-ready organization that is both responsive and customer-centric. While the process is gradual and better sales growth will take some time to materialize, we remain confident of achieving it in the coming quarters.

Sales optimization and productivity will begin to accrue across the remaining dealers where unification became fully active over the next few quarters. The short-term adjustments, which are part of this process are strategic steps that will result in higher efficiency, operational consistency and a stronger market presence.

Kajaria today is set to operate on three fundamental pillars: one, delivering above industry growth rate; two, superior operating margin; and third, higher free cash flow -- high free cash flow generation.

With Kajaria 2.0, we enter a new chapter of Board transformation, fresh thinking and renewed energy, led by both Chetan and Rishi, who have been recently elevated as Vice Chairman and Managing Director, respectively. I'm confident that Kajaria's future rests in capable and

visionary hands. Their new roles reflect our continued commitment to strategic growth and leadership excellence and will result in creating sustained value for all our stakeholders, be it our customers, our dealers, our employees and our shareholders.

Now for this quarter segment-wise financial performance. Tile segment remained flattish year-to-year, at INR1,051 crores compared to INR1,054 crores in quarter 2 F '25. Bathware segment registered a 14% growth in revenue, reaching INR102 crores compared to INR90 crores in quarter 2 F '25.

Revenue from Adhesives grew to INR32 crores in quarter 2 F '26 as compared to INR18 crores in quarter 2 F '25. EBITDA further improved in quarter 2 F '26 to 17.94%, plus 122 basis points sequentially and plus 447 basis points year-to-year. PAT for the quarter grew by 58%, to INR133 crores in quarter 2 F '26 as compared to INR84 crores in quarter 2 F '25. As of 30th September '25, the working capital days reduced by 2 days, to 56 days, compared to 58 days on 30th of June '25.

With this, I take this opportunity of thanking you for joining us today. Over to Moderator, please. Thank you.

Ritesh Shah: Samarth, are you there?

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

Keshav V. Lahoti: Congratulations on strong set of margin, multi-quarter high margin. I want to understand on cost, you have alluded you are doing cost rationalization. I want to understand more how the progress has been in this quarter, possibly, if you can speak some line item by line? And what sort of more reduction is possible in upcoming quarters? And how long will this journey go on? As you highlighted multiple quarters, will this journey get over in FY '26, '27?

Management: So in terms of cost reduction, we have taken significant steps, for example, reengineering of the packing boxes across all our plants across the country, which has resulted in substantial savings of INR30 crores, INR35 crores on an annual basis. Plus we've also worked on reducing our purchase price and outsourcing of tiles of ceramic and polished vitrified, removed a lot of people, around 250 people. So a lot of work has gone behind the scenes to rationalize the cost, which you have seen in the results.

Keshav V. Lahoti: Got it. So whatever is there, is done or possibly more sort of reduction is possible on employee cost or other fixed line -- expense line items?

Management: Some more savings will accrue as we go along, and it will happen as we go quarter-by-quarter. Some savings might happen as we go forward.

Management: So line item is -- like the savings will accrue in raw material, savings will accrue in purchase of finished goods, saving will accrue in salary, wages and saving will accrue in administrative overhead.

- Keshav V. Lahoti:** Got it. So what would be the margin of the company once all these savings are done? And by when this will be done?
- Management:** See, we can't say about the margin. But as we said in the previous communications, that we have started the cost optimization journey and some portion we have covered in the first and second quarter. And every quarter, the journey will remain. Like in the next 2, 3 quarters, there will be more savings. But we cannot quantify the margin number.
- Keshav V. Lahoti:** No. I get it because you are in a cost reduction at times, you also don't know, but it's already two quarters. You might have some sense, at least maybe a broader range what sort of cost saving is still possible. Maybe a broader range would be helpful, 100 bps, 200 bps, 300 bps, more cost saving as a percentage of sales, what that number would be?
- Management:** I think it's difficult to quantify right now, but you are seeing the difference from first quarter. We had a margin of 16.72%, which has increased to 17.94%. So going forward, I think it is -- it should be a little better only from here. But we can't quantify any numbers in any basis points.
- Moderator:** The next question is from the line of Shaleen Kumar from UBS Securities India.
- Shaleen Kumar:** Okay, sure. So just to begin with, can you share some initial feedback from, let's say, distributors. It's been a few months of this unification. Any feedback that you can share how the feedback from the distributor or the influencers, customer set, both on the positive or negative side, if you can share something or any challenges that we've been facing on positive side, that would be great.
- Management:** So we'll start individually. From the distributor point of view, they're very, very happy. So earlier, what used to happen was, three people used to go to a single dealer. And now we have reduced that to one. And if it's a very, very big dealer, maybe two. But overall, we are very happy that they don't have to answer to so many people.
- Coming to architects, influencers, we were never there. We never serviced them. So recently, about a month back, we started making a team, and we already have about 18, 20 people who are on board. And we're going to further strengthen the team. Their job is only to go and meet influencers, architects, interior designers and talk about Kajaria, Kerovit, Gresbond, whatever products we are offering.
- Also I think another change what we have done is we have kept a consultant now, a management consultant, who is guiding us how to increase the market share of our company. I'll just give you a very small example that in our tailwind, a lot of dealers were there who were not performing.
- So that, when we assess the data in a very open mind, we got a lot of information that where some dealers need to close, some white spaces are there where the dealers have to be made. So the consultant is going to structure the entire thing for us how we can penetrate further into the market and increase our market share.
- Shaleen Kumar:** Got it. And anything we are doing also on the sales incentive structure, etc., towards -- to drive the push of our product?

- Management:** Yes, yes. So that is also completely changed. Earlier, because there were three verticals, we had very different systems. Now everything is volume and growth linked, that only if you reach a certain growth percentage only then the incentive gets applicable. And the more you sell, the more you get more. So they should get a carrot and a stick.
- Shaleen Kumar:** Okay. Got it, sir. See, we understand, not just on the growth side, we understand that this time, we had a heavy rain in 2Q. But do you see any changes coming back in October, any uptick, green shoots in terms of the growth in October or too early to say?
- Management:** It's too early to say because it's a Diwali time also, but we are pretty hopeful this quarter, October to December, we should have some volume growth. The exact number, we'd not like to say, but we should definitely have some volume growth this quarter.
- Moderator:** Thank you. The next question is from the line of Sneha Talreja from Nuvama.
- Sneha Talreja:** Congratulations on great margins. Just a couple of questions from my end, while you spoke about employee expenses coming down further and other expenses also coming down. What I wanted to understand is power and fuel cost too is down this particular quarter, what would be the reasons here for savings? Is it an industry-led phenomenon?
- Management:** Power and fuel remains the same. Power and fuel is lower because of the lower production, Sneha. Cost is the same.
- Sneha Talreja:** Understood, sir. And any numbers that we can get, how much further reduction can we get? I know the previous participant has already asked this. But maybe in terms of raw material expenses also, while you were saying there could be some savings there also and how are those savings coming up in raw materials?
- Management:** So Sneha work is on continuously. We can't quantify the exact savings as of now, but we're constantly working on the raw materials also wherever we can save cost at the factory level.
- Management:** But a lot of the work has already been done also, Sneha, and you can see that is the positive numbers, also. So a lot of impact has started...
- Management:** Like even in this month, we did some reasonably good savings in certain materials, so which will be reflected in Q3 and Q4.
- Sneha Talreja:** Based on my understanding, it's not an industry phenomenon, like raw material prices falling down, it is your efforts where you're trying to maybe recreate with your guys in terms of supplying and all of those sales.
- Management:** Correct. Correct. You're absolutely right. So with unification of sales, we have also unified our purchases and utilizing our power of volumes for better negotiations.
- Sneha Talreja:** Understood. Lastly, while you mentioned that you have formed the team for architects, you also had formed the team for catering to projects. You were...

- Management:** See project builders, we're always tapping. The big projects were always -- we were looking at. This is a new segment which was not there with Kajaria, where meeting architects and interior designers. And with that, we also have some people who also want to tap the government projects.
- Sneha Talreja:** Right. But we had increased some focus on projects, if I'm not wrong, we did speak about it in last quarter, this thing also con call. So just wanted to understand, are projects really doing better than the retail segment? And what is our percentage share? And what is the percentage share we look at it in terms of three years, five years down the line?
- Management:** See, our current percentage should be about 70% retail, 30% projects. But we have to work on all the fronts, whether it is a dealer network or the project network to look at volumes. So difficult to project what will be the ratio going forward. But what we had mentioned last time as well that we are more seriously working on the -- dealers segment, we are always very, very strong. Projects segment, we are putting more emphasis and more pressure on that so that we can get more volumes there.
- Sneha Talreja:** Understood. All the best to you.
- Moderator:** Thank you. The next question is from the line of Sajal Gupta from FE Securities. Please go ahead.
- Sajal Gupta:** Congratulations for such a strong performance. The information which I'm getting from the dealers at the ground level that business and overhauling the business, which has resulted in a lot of...
- Moderator:** Sorry to interrupt you, sir. You're not audible, sir. Mr. Sajal Gupta?
- Sajal Gupta:** Can you hear me now?
- Moderator:** Yes, it is loud and clear. Yes, it is loud and clear now.
- Sajal Gupta:** So, I was saying at the ground level, what I've checked with the dealers, that there's a lot of reinventing of the businesses which is happening and overhauling of the business operations, which has resulted in a lot of cost savings. And plus the charge you have given to the younger generation, Chetan and Rishi, to run the business is an excellent -- I think, excellent move by you. And I must congratulate both Chetan and Rishi to coming on board and doing such an excellent job.
- So my question out here is with such a strong performance, obviously, other people have also asked this question, growth is significant. When do you start seeing the growth? And what levels of growth can actually come? And my second question to you would be, during the COVID time, if I'm not wrong, the company had reported a 20% EBITDA margin. How far are we from achieving a 30% EBITDA margin from here?
- Management:** Two questions you asked regarding the volume growth. As already said by Chetan and Rishi just now, with this transition of hiring a management consultant also, we are doing a lot of work

on the ground level as to identify which are nonperforming dealers, which areas we are not there. So I think that will add value. Plus, an architect team has been installed, which was literally not there in Kajaria because there were three divisions working independent of each other. Now with this unification, that is going to help, number one.

So, volume growth has to come, no questions about it. And as far as the margins are concerned, I think we are on a positive side. Already, they have said that, what was first quarter? Second quarter is 17.94%. If the volume growth also comes, which it has to, we should look as a positive figure for the upcoming third and fourth quarter.

Management:

Just about the margin, I'll add to what sir has said. In COVID area, the margin which we got in a particular quarter, that was a result of a significant fall in the fuel price. That was a one-off thing. But sustainably, our margin trajectory was around 14% to 15% to 16%. So we have moved into a new orbit of margin. But when we will reach 20% or 21% -- because even that 20% is not comparable with this margin because this margin is based on the overall cost optimization. We are working on all areas of cost.

That's a much -- quality-wise, it's a much superior margin, if you ask me, than that 21% margin in that COVID area. Because that was a result of a particular commodity which went down that significantly upped our margin. That margin was not sustainable. But this margin is definitely sustainable. And as we move towards our cost optimization journey, there could be some improvement further to this margin.

Sajal Gupta:

What is remarkable is that margins are sustainable and you're talking of a higher margin from the 14%, 15% margin originally which the company used to run is commendable. And with the volume growth, I'm sure that company is going to do very, very well. So I think you have answered most of my questions. Thank you so much and wish you all the good luck for the future.

Moderator:

The next question is from the line of Sagar Jagtap from Marine Research.

Sagar Jagtap:

Government projects last year at 10% volume. So this year, I just wanted how do we see the number going forward in the year?

Management:

So as we said, our retained 2 project mix is roughly 70% to 30% and that 30% includes both private and government projects and builders. So it's very difficult to quantify how the ratio of government and projects with private builders will keep on changing within that mix. But as we said, we are more focused and aggressive on getting more project volumes also as we keep on going forward.

Sagar Jagtap:

And next, how is pricing in Morbi versus branded segment evolving this quarter?

Management:

Pricing gap between Morbi and Kajaria is about 20%, and that remains.

Sagar Jagtap:

Okay. And other expenses, advertisement expenses first quarter, any increase in quarter-on-quarter and full year spending of advertisement?

- Management:** Actually, the advertising expenses have come down. If you see it has come down in this quarter half year as compared to the previous one. But in the next few quarters, it may go up.
- Moderator:** The next question is from the line of Raman KV from Sequent Investments.
- Raman KV:** I have two questions. So one is as everybody were asking margin. So you said you -- there were some initiatives which led to -- one of them was reengineering the packaging across all your factories, which led to INR35 crores of annual savings. So but when I look at this quarter, on quarter-on-quarter, sequential quarter basis, there has been INR30 crores of additional EBITDA. And when we compare it on Y-o-Y basis, there is an excess of around INR70 crores of additional EBITDA despite the revenue being flattish.
- So I just want to understand in brief, how are we be able to optimize the cost. At the same time, what's the company's restructuring policy with respect to the employee cost? Because I have seen that during this quarter, the employee cost has come down a lot.
- Management:** It has not come down a lot. But as we move around, it will not go up. There could be slightly saving in the employees as we have not given increment in this year. And some people may be relieved may go and we are not intending to hire any fresh people. So with the growth of sales, the percentage of employee cost of sales will go down, one. And what was the other question. Yes, it was around EBITDA.
- Raman KV:** I just wanted to understand the triggers which will -- this 17% margin to 20%, 22% margin...
- Management:** You are comparing previous year margin with this time, the cost savings. So last year, there were some losses due to the ply venture also, which are not there.
- Raman KV:** Yes, yes. Sir, my second question is with respect to volume. Sir, can we expect the volumes -- what are you expecting the volume in H2? And going forward, are we expecting volumes to come back?
- Management:** So as I said earlier, we cannot give you the exact number what we're expecting in H2. But yes, we'll definitely see some volume growth from here on. In H2, we definitely did -- so H1 was -- we had 0 volume growth. H2 will definitely have some good volume growth.
- Management:** See, why we didn't get the volume in the first 2 quarters, there are 2 reasons. One, the market was soft. The other we were busy in the unification. And when you do -- when you change the process which was there in the company prevalent for so many number of years. So there is some adjustment happened as said by the Chairman in his speech, if you have noted.
- So some we must have lost because of the change in the system. We have the change in the team, the reporting is -- I mean, there is a change in reporting, some dealers, some destocking, some restocking. So some blames may go towards that also. So we believe the market improving and as we move towards unification, three, as the benefit of hiring a consultant will also give some fruit. So combination of all 3 factors will definitely lead to some volume growth.
- Moderator:** The next question is from the line of Sajal Kapoor from Antifragile Thinking.

- Sajal Kapoor:** Ashok Ji, it's uncommon to see the promoter directors voluntarily foregoing salaries in a fiscal year, and that's obviously commitment. The question is, how does the management now ensure that the best-in-class and capability employees are "ring-fenced" amid this internal restructuring as typically low-quality employees who are forced to leave, but the high-quality ones may voluntarily resign and they move on, right? So how do we make sure that the resultant organization is stronger actually?
- Management:** That's what we are trying to do. See, that's what the goal is to make the organization leaner and more effective. And the management not taking a salary was a bold decision. Let me tell you that after a lot of deliberation because 2 reasons. One, we didn't give any increment to our people this time.
- So as a management, we said, let's not let the company become stronger. So that's point number one. Point number two, the whole effort is to make it as lean and thin as possible, effective, but lean and thin. So that's what we are trying to do, and it's working. It's working in the right direction.
- Sajal Kapoor:** No, that is for sure, Ashok. My question is how do we convince good employees that they have a bright future ahead?
- Management:** We don't have to convince. So there is no, first of all there is no relatives of -- we don't have to convince. We are doing our job of those people who are there. They have been there for 20 years or 25 years. So they know where things lie, number one.
- Number two, basically, a lot of people, extra people came in because of the 3 divisions working. So we are doing only rationalizing and making sure that this unification works and right people stay, which is happening already. We don't have to make sure it is happening.
- Management:** And I will add one more thing. It is not that we are letting the people go. We are adding fresh talent also. So it is a turning of manpower. We have hired good professional in the last 2 quarters, and we will continuously be hiring in different divisions. I cannot tell you what division, what rank and all.
- But the mind is very clear that we will be hiring good professionals as well because we have to work on systems, we have to work on IT, we have to work on HR. Everywhere, we have to work on our old systems, we have to revisit. So for that, we will be needing good talent, and we are not shying away in hiring good talent and paying good to them.
- Sajal Kapoor:** No, absolutely. I think that's reassuring. And I think with a leaner and fitter organization, all we need is a demand recovery, which none of us can predict or control. But at the moment it comes, the earnings should be speaking for themselves.
- Moderator:** The next question is from the line of Onkar Ghugardare from Shree Investment.
- Onkar Ghugardare:** So the increase in the dividend payout is linked to the performance or increase in the margin. So this is sustainable or this is a one-off phenomenon you have done?

- Management:** So it's not one off. It is a dividend -- we have paid as per the dividend policy. We have a dividend policy to pay between 40% to 50% of our earnings. So we have -- this is not for the first time we have paid. We have been paying for the last 3, 4 years.
- Onkar Ghugardare:** It's just the increase in the dividend payout. That's what I'm asking. I know you have been paying interim dividends for the last 3, 4 years.
- Management:** So regarding interim, we have increased a bit as compared to the last 2 years. But overall dividend will remain within the policy, unless the Board changes the policy.
- Onkar Ghugardare:** Okay. And you have mentioned that the demand is soft in the first 2 quarters. Actually, if you see for the last 3, 4 years, there -- I mean, you say maybe 4%, 5%; 6%, 7%; some years 7%, 8%; 8%, 10%, but it hasn't been much so. I mean, what has been the major contribution to demand not being there for the last 3, 4 years when the sales of real estate companies are growing? I mean there is a lag effect, but how much lag effect.
- Management:** There was a slowness in the demand in 3, 4 years, and we didn't grow the way we have been growing prior to that. But this time, it is because of the unification, because of the correction of our system, we will not be -- see, prior to this 4, 5 years, we have been growing in double -- good double digits. So we have been taking market share. And even in the era where we have grown 4%, 5%, we have taken the market share because the industry has not grown at that percentage even in those years.
- So as we said in our -- the reply to the earlier question, 3 things will happen. One, the market may improve, which will help. Two, we will continue to take market share because of the change in our marketing policies, the unification majorly. Three, as we are thinking freshly, we are hiring the consultant, we are revisiting where the white spaces are there in our dealer system. Everything we are revisiting. So that will also help in getting good volume growth.
- Management:** Secondly, as you are aware -- just 1 minute. As you are aware, in the second quarter, a lot of rains, floods have been there in the entire northern belt. So, the construction will happen there. So at the end of the day, the construction will also happen in quarter 3 onwards. So automatically, demand will revive because second quarter has been very bad for the entire Northern India and part of Eastern India because of floods. So automatically, the demand will arise in all sectors.
- Onkar Ghugardare:** So how soon you are expecting the demand to come back?
- Management:** From this quarter itself...
- Onkar Ghugardare:** With all the efforts you are putting in, you are saying that it should be visible from this quarter itself?
- Management:** Absolutely correct.
- Moderator:** The next question is from the line of Pulkit Patni from GS.
- Pulkit Patni:** I mean, enough has been said about how the management has actually put in the best effort to cut costs. I think the one question which we are all grappling with is what is actually happening

to demand, sir? Like in your view, your experience of doing this business for more than 2, 3 decades, why is it that for the last 3 years, demand is so seeded? What do you think needs to change for demand to come back?

And as a management, while you're doing all the right things to cut costs, but I don't see that optimism in terms of demand, given that a lot of the initiatives you are doing are quite permanent in terms of cost cutting. So just help us educate a little bit more on what do you think is happening to demand of tiles in India?

Management:

I think a lot of answers have been given, and you are missing a few points. Point number one, there is a unification which has been done by Kajaria. You see what has happened, as you are aware, last 2 years, there was a commonality in products between ceramic and clay-certified division. As a result, what we decided that starting from this financial year, we'll do unification, number one.

Number two, with this unification, a lot of corrections are to be made, as said earlier by Rishi for a dealer till 31st of March, 3 people were vesting. Now people are vesting from Kajaria. So efficiency of the dealer, efficiency of Kajaria also improved. Third, demand has to be there, if it is there in other industry, demand has to come. As we all know, demand has been sluggish for all kinds of building materials.

When you say it has not been, I disagree with you because the results of all other related companies of building materials are also saying that demand has been sluggish. But things have to improve with all this happening. A lot of corrections have been made by this government by cutting off reduction in GST in many areas, creating demand in the economy by putting in money in the system. So demand has to come.

And what we are doing as management, as said earlier by Chetan and Rishi, I think this kind of effort by having a management to identify where the dealers are non-performing, where Kajaria is not there, all this the demand has to come. And as I said 2 minutes back to one of the questionnaires that starting from this quarter, you will see the change in scenario. So let's accept -- let's not look at negativity, let's look at positivity.

Management:

Also, we are making our organization ready. What we have also done in the last 6 months is we made our organization ready that any spurt in demand for the market, we will be the major gainer.

Pulkit Patni:

Sir, maybe I didn't put my question across correctly. I by no means meant that others are growing and you are not growing. I'm just trying to understand why in the last 3 years, tiles as an industry, which is also building materials not showing the kind of demand. Like what do your dealers tell you? What's happening on the ground?

Sir, I want to just improve my understanding rather than questioning what the company is doing because I 100% appreciate that you are doing the right thing in the interest of the company. It's just why tile demand has been so weak. If you can throw a little bit more color on that particular aspect.

Management: No, no. I answered that point, not only tiles, all kind of building material, except cement and steel, which go into the building industry has been weak. Right now, we don't have an answer. But you see what happens. All of a sudden, you see demand coming in with all the infrastructure government is doing.

Government has also slowed on infrastructure of late. But I think now things are pushing where they are only talking about infrastructure development and all that. Once that happens, demand has to come. So let's keep our thing on the mind that demand has to come, and we should look at a positive atmosphere from here onwards.

Pulkit Patni: Sure, sir. We are all hoping for the same.

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

Ritesh Shah: A couple of questions. First is, sir, you did indicate that we have appointed a management consultant and the target is to enhance market share. Sir, can you highlight a few underlying variables that we look to target over here? I think you did touch upon incentives being rechecked. But anything specific on product pricing, discounts? How should one look at it? Because we have the brand, we have the distribution, incrementally what next?

Management: So a couple of things. First, like mapping the country state by state, seeing where the dealers are not as -- the Chairman also said, the dealers are not performing, where we are not there present when the competitors are. We're doing a deep analysis state by state of the country and identifying those areas where we can penetrate deeper and strengthen our distribution network. That's also focusing where we can make more exclusive showrooms as we go along.

Currently, we have 450 exclusive showrooms of Kajaria with 1,850 dealers. Our target is to increase that more in the next couple of years and get more exclusive distribution showrooms. So those are the efforts going on behind the scenes. Also thirdly, with the unification now happening, we're looking at making our policy uniform in terms of pricing also in the discount structure. So it becomes simplified for the dealer to understand all the vertical of the company when the guy goes to visit him and sell the product.

So all these actions are happening behind the scenes as we go along. And also in terms of product, a lot of new products are launched. Also earlier, some dealers were not keeping those products, but now that cross-selling has happened. So now all dealers have access to the entire range of Kajaria.

Ritesh Shah: Sure. This is helpful. Sir, my second question is on the distribution side. We had different store formats; Prima Plus, Eternity, Galaxy, Ambiance, Gres Universe. Sir, what happens to that? Does it remain the same way? Or are we giving the flexibility to the dealers to choose whatever brand they want to use?

Management: So that's why the consultant has also come into play is they are guiding us to see how we have to do the outside branding for the normal -- for a regular customer. So all Prima Plus, Eternity World, all those terminology will go. There will be a common name, maybe like a Kajaria Galaxy or a Kajaria World or whatever. So that work is already going on. We just got this

consultant recently. So maybe in the next 1 or 2 months, we'll have the entire plan ready. And the last quarter, Jan to March, we will get everything implemented.

Ritesh Shah: Sure. This is helpful. Just a quick question on the export side. Ashok, I think last quarter, you had given a number of around INR16,500 crores for FY '25. And for FY '26, you were looking at around INR18,000 crores of exports at industry level. Sir, how should we look at this? If the exports don't move up, is it something which worries us? Should we, how should we think about that?

Management: So the data which you have got in the last 6 months, export has grown a little bit. So from last 6 months, they had April '24 to September '24, they had a volume of about INR7,600 crores. April '25 to September, we have exported about INR8,300 crores. So there's a marginal 10% increase, 9% to 10% increase. And this will continue looking at the situation in India.

Management: Full year should be INR18,000 crores.

Moderator: The next question is from the line of Diya from Sapphire Capital.

Diya: Sir I just wanted to ask if you were adding any new capacities. And if I heard you correctly, you said 20% EBITDA margins from Q3 or Q4?

Management: No, we never give you any figure like that. We have never specified any EBITDA margin.

Management: We have always said there will be some cost optimization reduction. And how much it will result into EBITDA margin, we cannot say because EBITDA is not a result of cost optimization. It's a combination of cost, selling price, gas price. So the other factors are not in our hand.

So we cannot -- we have never guided for 20% EBITDA margin. We have always said that we are in the process of cost optimization. And every quarter, there will be some improvement as far as our costs are concerned.

Management: And your first question, we are not adding any capacity right now. The first focus is to run all our manufacturing plants to 100% capacity. And our current ratio is 25% outsourcing versus manufacturing. If the demand goes up, we'll immediately outsource from Gujarat and supplement the demand.

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

Keshav V. Lahoti: So how much was the ad spend as a percentage of your absolute number for the H1 and what is the target for this year?

Management: We spend roughly -- what was the question?

Keshav V. Lahoti: Ad spend -- how much was the ad spend for H1 of this year? And what is the target for this year?

Management: I don't have the numbers ready, but this H1, the ad spend was lower than the last half year.

Keshav V. Lahoti: Okay. So as you highlighted, the ad spend is lower. So possibly the target is to lower it or possibly maybe because of ad spend some...

Management: We intend to increase it in the second half. And the lower -- the reason for the lower ad in the first half was also that we did not do this dealer contract, which we used to do in Thailand.

Management: For 6 months. And we now -- next 6 months, we will push the advertisement further.

Keshav V. Lahoti: Okay. The reason I'm asking this question because I'm trying to understand your margin as the ad spend is lower, possibly how much lower it was in H1, possibly once the ad spend will increase, it will have some dent on margin. I understand you have levers, you will rationalize more cost.

Management: There could be some portion of -- see, the margin improvement is very significant. So there could be some portion of ad saving -- lower advertisement to this margin, but it's not very significant.

Keshav V. Lahoti: Got it. But the target is to continue with 3% of sales as ad spend going forward?

Management: No, it's not percentage. See, it's not -- we have never spent in the percentage terms. See, we are the largest spender of ad in the whole industry. So it's an absolute number. Even we do the same number, it's very, very fine. And number two, we are -- as we are doing cost optimization in other areas, we are doing the same in the advertisement.

So optically, the number may be less as far as the financials are concerned, but we are taking more value from the lower number. So we have negotiated with our advertisement vendors as well, and we have got good saving in that.

Keshav V. Lahoti: Understood. Got it. Okay. Tell me one thing, in H1, as your tiles revenue is flat. So any color, how would be the project and retail, which would be flattish or something doing better?

Management: Sorry, come again. The voice is not clear.

Keshav V. Lahoti: In H1, your tiles revenue growth is flat. So can you possible to bifurcate in project and retail, both has been flattish or something is doing better?

Management: Both the ratio has maintained in the same level approximately.

Keshav V. Lahoti: Understood. Got it. And sir, how is the Nepal? We can see there is a good ramp up in production in Nepal. What was the Nepal sales in this quarter and how is the margin profile looking now, and what is the possible outlook for the same?

Management: So we sold roughly 0.7 million square meters in quarter two. And you know there is a lot of turmoil also happening in that country. So we are just waiting and watching and trying to sell the capacity as we keep on going along.

Keshav V. Lahoti: Okay. How is the margin looking right now?

- Management:** The margin is okay. But see, we have made some profit in Nepal. But I said in the last call also because we have some inventory in the system which is beyond the norm. So we will not be very happy with that profit number. Our intent will be to liquidate the inventory even the margin or the profit is less. And it's a very small venture. Just a 5 million capacity venture and out of it 50% is the JV partner, 50% is ours. So just margin will not -- this will not be any...
- Management:** Impact on the margin.
- Management:** Impact on the overall thing. And otherwise also we are -- it's a JV. We -- it's not part of EBITDA. It's just below the line.
- Keshav V. Lahoti:** Right. Right. I understand that. So it is fair to assume Nepal won't be loss-making at JV level for this year? That is a fair assumption at PAT level it won't be loss-making for you?
- Management:** So we are making profit. We'll continue to make the profit, but that will be very insignificant profit. But as I said, the intention will be to liquidate the inventory and set the plant. The profit we can get next year or maybe later. So that's not an issue. The primary focus is to sell, reach to all the dealers because it's a new country, new dealer base and everything.
- The focus is not on profit. So you should also not look at the profit. Your question is to ask how much money, how much sale you are making, what percentage capacity utilization of the plant is running, what is the inventory level, rather than focusing on profit.
- Keshav V. Lahoti:** Sure, sir. Point taken. So my first question was on same side only. Got it, sir. So right now, it's a fair strategy. I agree with you. Yes, sir. That's it. That's it from my side.
- Moderator:** The next question is from the line of Onkar Ghugardare from Shree Investment.
- Onkar Ghugardare:** So how much this unification -- because of this unification, how much volumes you would have lost? And also by closing down one of the business, approximately how much you would have lost?
- Management:** Sorry? So because of unification, we will not be able to quantify what volumes we have lost. What we are saying is that our main focus was more on strengthening the organization and for that, in that integration we could have lost some sales. We cannot deny that, but it's not possible to quantify that. Because the sales people, dealer, I mean, they are just having a new thing to them.
- Onkar Ghugardare:** Correct.
- Management:** Everything is new. So there will -- it's a very adjustment -- very insignificant figure. We have not lost out on sales as such. Yes. Hello. Hello.
- Moderator:** Thank you.
- Management:** Yes. Thank you. I think there is no question -- there's no participant left for the questioning. So can we conclude the conference?

Moderator: Yes, sir. As there are no further questions, I would now like to hand the conference over to Mr. Ritesh Shah from Investec Capital Services for closing comments.

Ritesh Shah: Yes. Thank you all for joining on to the conference call. Ashok and team, thank you so much for calling us. It's an opportunity to host you. Thank you so much, sir.

Management: Thank you, Ritesh, for organizing this. I thank all on behalf of all of us and wish you all a very, very happy Diwali. To all the participants and all of you, wish you a very, very happy Diwali. Thank you.

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