



BIGBLOC CONSTRUCTION LIMITED

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NXTBLOC[®]
Autoclaved Aerated Concrete Blocks

Date: 16/11/2022

To, Department of Corporate Service, Bombay Stock Exchange Limited, 1 st Floor, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai-400001 Script Code: 540061 ISIN : INE412U01025	To, Listing Department, National Stock Exchange of India Limited, Exchange Plaza, C-1, BLOCK G, Bandra-Kurla Complex, Bandra (E) Mumbai- 400051 Symbol: BIGBLOC ISIN : INE412U01025
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Sub: Transcript of Conference call

Dear Sir,

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find attached transcript of conference call held on Friday, 11th November, 2022 at 12:00 PM IST to discuss on Q2/H1-FY23 results and business outlook of the Company.

You are requested to take the above information on record.

Yours Faithfully,

**FOR AND ON BEHALF OF
BIGBLOC CONSTRUCTION LIMITED**

NISHTHA PAMNANI
(Company Secretary and Compliance Officer)
ACS-58276



Encl. as above

Bigbloc Construction Limited
Q2 FY23 earnings conference call
11 November 2022

Moderator: Good day ladies and gentlemen and welcome to the Q2 FY23 earnings conference call of Bigbloc Construction Limited. As a reminder, all participants' 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 "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Anuj Sonpal from Valorem Advisors. Thank you and over to you Mr. Sonpal.

Anuj Sonpal: Thank you. Good afternoon everyone, warm welcome to you all. My name is Anuj Sonpal from Valorem Advisors. We represent the Investor Relations of Bigbloc Construction Limited. On behalf of the company, I would like to thank you all for participating in the company's earnings call for the second quarter and first half of the financial year 2023. Before we begin, let me mention a short cautionary statement. Some of the statements made in today's earnings call may be forward-looking in nature. Such forward-looking statements are subject to risks and uncertainties which could cause actual results to differ from those anticipated. Such statements are based on management beliefs as well as assumptions made by information currently available to management. Audiences are cautioned not to place any undue reliance on these forward-looking statements in making any investment decisions. The purpose of today's earnings call is really to educate and bring awareness for the company's fundamental business and financial quarter under review. Now, let me introduce you to the management participating with us in today's earnings call and hand it over to them for opening remarks. Firstly, we have with us Mr. Manish Saboo, Head of Marketing and Strategy. And we also have with us Mr. Mohit Saboo, Director and Chief Financial Officer. Without any further delay, I request Mr. Mohit Saboo to start with his opening remarks. Thank you and over to you, sir.

Manish Saboo: Good afternoon everyone. It is a pleasure to welcome you all to our conference call for the second quarter of the financial year 2023. In the interest of those of the participants joining first time, let me give you a brief of the company. Bigbloc Construction Limited is India's one of the largest manufacturers of AAC blocks and related products. We have a current capacity of 5, 75,000 cubic Nm. As you may be aware, AAC blocks are superior quality building material which provides unparalleled blend strength, lightweight thermal insulation, soundproofing, underpass and highly proficient building material. It is a natural and nontoxic construction material that saves energy and is also eco-friendly. In fact, ours is only AAC Block Company which generates carbon credits, and are marketed under the brand name of NxtBloc. We have

two state of the art manufacturing capacity facilities at Vapi and Ahmedabad which is in Gujarat and with the ongoing capacity enhancement; we'll be the largest AAC manufacturers in India by 2024. Additionally, the company is also expanding into AAC panels which are the next generation versatile green building material that possess superior technical advantages used for external and internal non-load-bearing walls, roofs, floors for commercial and residential building. Lastly, in 2021 the company entered into Strategic Joint Venture one of the largest cement and building material companies in Thailand in South East Asia Siam Cement Group of Thailand which 48% holding with SCG and 52% with Bigbloc. Under this JV we are planning a plant up to 200,000 cubic meters capacity at the Kapadvanj near Ahmedabad. Now, let me our Director and CFO Mohit Saboo to take you through the financials and operational highlights of the quarter under review.

Mohit Saboo:

Good afternoon everyone. Thank you, Manish getting on to the financials part for Q2 and H1 FY23. I hope you have had a chance to study our financials and earnings presentation which have been uploaded on our website as well as stock exchanges. Let me brief you on the company's financial and operational performance on a consolidated basis for the second quarter of FY23. The revenues from operations grew by around 18% year-on-year to around Rs. 49 crores. The EBITDA was reported at Rs. 14 crores which grew by over 130% year-on-year. We achieved our highest ever EBITDA margin in this quarter at 28.66%. The net profit was reported around Rs. 9 crores which grew by 175% year-on-year. Our PAT margin for the quarter was 17.53%. As you know, Q2 FY23 is typically a lean season due to monsoon and this year due to an extended monsoon season along with torrential rains, off take was little lower than expected. The margin improvement was driven by a correction in majority of the raw material prices due to the global economic slowdown. Additionally, the company sold approximately 43,000 carbon credits during the quarter and we further strengthened our balance sheet by paying down debt and bring the debt equity ratio from 0.91 at the end of FY 22 to 0.74 at half H1 FY23. On the CAPEX front, construction for the upcoming unit at Wada is running at full swing. Majority of machines are already dispatched and arrived at the plant. We intend to start commercial production very soon and for the JV expansion the company is in its finalization stages of land acquisition and intends to complete the same within a very short span of time. Lastly, for half year ended the revenue from operations stood at Rs. 104 crores which grew by around 50% year-on-year with an EBITDA of Rs. 26 crores which represents a growth of 188% and the EBITDA margin of 25.19%. The net profit grew by 284% to Rs. 17 crores representing a PAT margin of 16.25%. Thank you so much. With this we can open the floor for question-and-answer session.

Moderator:

Thank you very much. We will now begin the question and answer session. We have the first question from the line of Anika Mittal from Nvest Research. Please go ahead.

Anika Mittal:

First question is from the Order book. Is there any order book or any inquiries or any customer commitment for our AAC block that you are getting for the upcoming capacities which is giving you the confidence for ramping up of the extended capacity, sir?

Mohit Saboo: Regarding the order book, actually we have consistent buyers' month-on-month. We have buyer lists including the likes of Lodha, L&T, Runwal, Centec, B.G. Shirke, Capital Site and they keep on placing monthly order requirements of theirs with us. Apart from that regarding the upcoming capacity expansions, for that also looking at the overall block scenario, a lot of customers who are earlier buying red bricks are also shifting from red bricks to AAC blocks. That way capacity expansion should also keep on getting adapted in a very short span of time.

Anika Mittal: So, are we still getting that fly ash free of cost which is a major room for us?

Mohit Saboo: Yes, fly ash is still free of cost. We just have to pay; we need a transportation charges for the same.

Anika Mittal: Is there any sign that we shall have to start paying for it?

Mohit Saboo: We are using pond ash; we are not using the fresh ESD fly ash. For pond ash we don't have to pay anything.

Anika Mittal: In near-term and mid-term or in long-term?

Mohit Saboo: I don't see any charges being levied for the pond ash as that is being consumed because that is still accumulated at thermal power plants and it is consuming a lot of land space for thermal power plants.

Anika Mittal: Do you see the volumes improving in the second half because the construction activity is going to pick up or is there anything else that I'm missing on it?

Mohit Saboo: We have been observing since the last few years that capacity utilization in H2 is generally much higher than what it is in H1 because construction activity takes place majorly in October-March quarter. During May-September because of labor shortages after Holy period and also due to monsoon reasons, the construction activities are a little on the slower side. So, definitely we see better capacity utilization in H2.

Anika Mittal: What kind of volume growth are you expecting over the financial year 2022 and the entire financial year 2023?

Mohit Saboo: Compared to financial year 2022, our volume growth would be very meagre because in 2022 also our capital utilizations are almost at optimum levels and with Wada capacity addition, we can see volume growth of almost 8-10% approximately.

Anika Mittal: Overall 8-10%.

Mohit Saboo: Yes.

Anika Mittal: If we compare your average sales prices per cubic meter, in financial year 2022 it was around Rs. 3,520 on volume of 4,97,664 and in half year this average sales price raised to Rs. 4,380 on the volume of 2,37,817. So, my question is what is driving this increasing realization and how it's sustainable these are?

Mohit Saboo: So, what we have observed over the last 8-10 quarters is that the realizations have been improving quarter over quarter because overall adaptation of AAC blocks has been happening at a much faster pace. Also, the product that we are replacing red bricks, it used to be in the price range of around Rs. 2,000-2,200 of cubic meter which is today in the range of almost Rs. 4500-5000 of cubic meter which went up to almost Rs. 600 of cubic meter. This is a much better and much superior product as compared to red bricks whereby you end up saving on overall the construction cost, it ends up saving time and the construction is much faster, the number of joints are much lower. Looking at the overall superiority of the material, we should be able to either at least maintain our margins or even see some improvement going ahead with in our realizations.

Anika Mittal: Because in last concall you were mentioning the 22% is the sustainable. Now I think in this quadratic is around 27%. That's why I'm asking what sustainable means is? What kind of average sales price we can get in future?

Mohit Saboo: On a long-term basis, I think EBITDA margins of somewhere between 20-25% are easily sustainable.

Anika Mittal: In quarter 2, I agree generally there is a monsoon kind of delay. But, if you see the last year volume in same quarter there was a substantial increase in the volume. So, what was the reason for that?

Mohit Saboo: What happened was last year in Q1 because of the third wave of COVID in India, the quantity offtake in April-June was much lower. And that's the reason that Q2 saw comparatively a higher quantity offtake. Apart from that similarly last year the rains in Q2 were not that high as compared to what it was this year. These were the main two reasons.

Anika Mittal: There is a big confusion on commissioning of JV plant in Ahmedabad like in earlier call your answer to my question was that it will be commercialized in June 2023. But, in your annual report you mentioned it will be in half year financial year 2024. Similarly, you mentioned in past that the CAPEX on JV shall be around 55-60 crores in annual report was mentioned around Rs. 89 crores. So please clarify the same.

Mohit Saboo: Regarding the capacity expansion for the JV plant, it is a little delayed because of the signing of the memorandum as well as acquisition of Land. The Land we are looking to acquire, we have been completing the due diligence for the same and since it is with a multinational Mica SCG so due diligence from their end is also taking place and takes comparatively a longer amount

of time. Coming down to the CAPEX of the total plant, Rs. 89 crores is totally to CAPEX which will be done over two phases and also it includes the working capital and everything as well. Rs. 55-60 crores will be the CAPEX only for land milling transmission and the total plant. Rs. 89 crores will be including the expanded capacity as well as the working capital requirements.

Anika Mittal: There is a qualification in your auditor's report regarding the loan compliance of IndAS 19 basically that is relating to the counting of employee benefits. Will you please put some light on that?

Mohit Saboo: Actually what is happening is for the employee benefits after retirement and all, so for that provisioning is not being done in the books of accounts and that is not being done since the last 5-6 years. We are taking up that matter and hopefully in this year we'll start provisioning for the same and there won't be any such in the current balance sheet.

Anika Mittal: What is the update on that your discussion going on with the credit rating agency regarding the reported issue or not cooperating in the recent filing? Is there any recorded...?

Mohit Saboo: What has happened is just to give up total explanation for the same. They are treated as our facilities of bank finance for SCC Bank and the limits of SCC Bank were taken over by Axis Bank. We have been following up with them since the last two months to get the credit rating withdrawn but they have been asking for NOC from other banks also which includes the likes of truck loans as well as commercial vehicle loans, vehicles loans etc., which is not required at all. We are setting up a call with them which should be done in the upcoming meeting itself and the credit rating withdrawal procedure should be completed after that. The reason it is taking time is they are ready to withdraw to wait ratings but they are doing it with the same letter. We are asking them to withdraw the letter itself what they withstood to with the stock exchanges.

Moderator: The next question from the line of Anay Mittal from Nvest Research. Please go ahead.

Anay Mittal: My question will be on the similar lines on this order book and commitment from your customers. While you are saying that you are getting a month-on-month regular orders from your customers, but don't you think that considering your position in the market and your specialty in AAC blocks you should have a minimum commitment type of stuff where you will be in a position to have a better confidence on the near-term outlook for your business?

Mohit Saboo: We have an order book in hand for the upcoming 7-10 days approximately and that's how we have seen this industry. Earlier our order books used to run in the range of around 3-4 days but right now it's around 8-10 days. What happens is this is a bulky material and storage of this material takes a lot of space and the construction sites generally in the regions wherever we are providing the material or at any given point of place, sites are such that they don't have a

lot of storage space. They keep on placing requirements for material on a time to time basis. That's how it works.

Manish Saboo: To add to the comment it is something like let's say we buy 5,000 tons of cement every month. We keep placing orders for the same quantities of 300-500 tons purchase orders every few days and there's no point we place orders for six months and 60,000 tons because neither the cement company can supply and nor I can store. But, we do have an unsaid commitment from majority of all the builders whoever we are supplying our materials to, that for these sites we are the preferred supplier. I think that's where the gap is.

Anay Mittal: On the product trend, are we doing any innovative stuff on the product side? I know that it would not that the leeway on innovation may not be very high but are we looking at any innovation on product side?

Manish Saboo: In Ahmedabad region, we are even supplying a sand-based material other than the fly ash material. That is one thing which we are doing. Rest, we are making materials of different strengths. For Ambuja, we are doing contract manufacturing. We are giving them a very-very high strength material. In blocks, these are the only few things or few changes that we can do. Rest, we have to stick to the IS.

Anay Mittal: Finally on the margins, I know that you are continuously improving the margins but we want our view on sustainable margins for the next three years. What is your view considering that inflation is slowly softening down and you have stable prices now maybe? What is your take on sustainable margin sir?

Mohit Saboo: As I mentioned on the earlier question as well that the margin increment in this quarter is also because of carbon credits and everything as well. But, on a long-term level sustainable margin of almost 20-25% at EBITDA levels is sustainable on the long-term looking at the current position of the product as well as the industry.

Anay Mittal: Finally, one more question, on your targets for next 2-3 years revenue, top-line and bottom-line, what you are aspiring to achieve?

Mohit Saboo: For FY23 our top-line should be somewhere between Rs. 200-250 crores and for FY24 we expect our top line to go to approximately Rs. 400-500 crores.

Moderator: The next question is from the line of Suraj Deora from Paladin Capital. Please go ahead.

Suraj Deora: I just wanted one clarification you just mentioned the guidance. Could you just repeat that please?

Mohit Saboo: Sorry, I didn't get you.

Suraj Deora: You just gave the guidance for 2023, 2024 and 2025. What were those numbers? Could you repeat that? I missed it.

Mohit Saboo: Yes. Guidance for FY23, we expect a turn over somewhere between 200-250 crores. For FY24, around 450-500 crores.

Suraj Deora: The second question I had one just again on pricing and margin, the gross margins are substantially higher this quarter. You said that is due to carbon credits being sold.

Mohit Saboo: Yes.

Suraj Deora: Could you explain how that works? How many credits do you get and how do they accrue and the economic behind that?

Mohit Saboo: So, currently we are generating carbon credits only at our Umargoan unit and we are generating approximately 60,000-65,000 units of credit every year. The unit at Kapadvanj is in the process of registration, and once it's registered, we might be able to generate almost 40,000-50,000 units of credit from that unit as well. In the last quarter, we have sold almost 43,000 units of credit, which were accumulated for period up to July 2021.

Suraj Deora: One year basically.

Mohit Saboo: It was accumulated up to July 2021 for the period from August 2021 till September 2022. We are taking up the audit process and then we'll get those credits issued which should be approximately 65,000-70,000 credits.

Suraj Deora: On an annualized basis, from the existing capacity how many credits can you generate?

Mohit Saboo: As per the current registration from the Umargoan unit almost 60,000-65,000, once the unit at Kapadvanj is registered almost 40,000-45,000 from that unit.

Suraj Deora: So this is existing capacity plus whatever expansion you do will be over and above this?

Mohit Saboo: Yes.

Suraj Deora: And what is the selling price?

Manish Saboo: So, the last sold these are somewhere around \$4.10 and before that we had sold it at somewhere around \$2.50.

Suraj Deora: So this is per unit?

Manish Saboo: Yes.

Suraj Deora: And this is entirely profit?

Manish Saboo: Yes. We have to pay some 10-15 odd cents for registration.

Suraj Deora: The pricing has been consistent; I think between last quarter and this quarter about Rs. 4,400 roughly be average realization remains. Do you think that this will change in the coming quarter based on any seasonal variation?

Mohit Saboo: We see the pricing to be either continuing on the same level or increment, and pricing can also be estimated.

Suraj Deora: On the raw material side, I've seen any changes and how that may impact your possibility?

Mohit Saboo: Not any major changes on the raw material size. The prices, to be very frank there has been some reduction in raw material pricing in the last quarter and such quarter-on-quarter fluctuations of maybe 5-10 percent in the raw material price will keep on happening.

Suraj Deora: The profit this quarter, the gross margin is almost 67%, almost Rs. 32 crores the gross profit. From this gross profit, if I were to reduce the amount that you cost per carbon credit, I'm assuming 2 lakh Dollars that's about Rs. 1.5 crores. Rs. 32 crores is the actual gross profit from the operation but that's still higher than what you got in the past, is that correct?

Mohit Saboo: Can you just come back on the question again?

Suraj Deora: The gross profit in the quarter is about 32 crores. And the profit, I think you probably made from the sale of the units of carbon credit are about 2 lakh Dollars roughly.

Mohit Saboo: I think it should be around \$1.6-1.7 lakh.

Suraj Deora: That's why I have round up, Rs. 1.5 crores what you made as profit from the carbon credits. Even if I were to reduce that amount from the gross profit, the gross profit margin is still quite high. It's much higher than what you've done in the past.

Mohit Saboo: Yes.

Suraj Deora: So, I think that these levels can be maintained which means that there's substantial pricing discipline in the market and profitability will remain at a higher level even without the credit.

Mohit Saboo: That's right.

Moderator: We have the next question from the line of Karan Bhanushali, an individual investor. Please go ahead.

Karan Bhanushali: My question is can you please quantify the value of contribution in the top-line from the carbon credits sold?

Mohit Saboo: It is somewhere around Rs. 1.4 crores approximately.

Karan Bhanushali: My next question is, talking about CAPEX projects what would be the timeline for commissioning the same and also how are we going to fund them?

Mohit Saboo: For the CAPEX, the Wada plant is already almost in the state of completion. We have infused our share of capital to the majority of the extent and the bank finance is also in place for phase-1 of the expansion. Phase-1 CAPEX is almost around Rs. 48-49 crores for which we have a bank finance of Rs. 33 crores and Rs. 16-17 crores coming in form of a motor contribution which is by way of internal accrual itself. And for the JV also we are almost in the phase of land finalization. Once we complete the land acquisition, we have already had a talk with the bank for the same and we'll be taking a date for almost 65% for the expansion in JV and rest will be contributed equally between by the partners and their holding ratio of 52% and 48%.

Moderator: As that was the last question for today, I would now like to hand the conference over to the management for closing comments.

Mohit Saboo: Thank you everyone for participating in the earnings concall. I hope we were able to answer your question satisfactorily and at the same time offer insights into our business as well as future expansions. If you have any further questions or would like to know more about the company, please reach out to our Investor Relations Manager at Valorem Advisors. Thank you. Stay safe and stay healthy. Have a good day.

Moderator: Thank you. On behalf of Bigbloc Construction Limited that concludes this conference. Thank you for joining us. And you may now disconnect your line.