



# BIGBLOC CONSTRUCTION LIMITED

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**NXTBLOC**<sup>®</sup>  
Autoclaved Aerated Concrete Blocks

Date: 03/11/2023

To, BSE Limited, Phiroze Jeejeebhoy Towers, Dalal Street, Fort Mumbai - 400001 <b>Script Code: 540061</b> <b>ISIN : INE412U01025</b>	To, National Stock Exchange of India Limited, Exchange Plaza, C-1, BLOCK G, Bandra-Kurla Complex, Bandra (E) Mumbai - 400051 <b>Symbol: BIGBLOC</b> <b>ISIN : INE412U01025</b>
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Dear Sir/Madam,

**Subject: Transcript of Earnings Call for Q2/H1-FY 24 financial results held on 1<sup>st</sup> November, 2023**

Pursuant to Regulation 30 and 46 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 we hereby enclose the transcript of the Earnings conference call held on Wednesday, November 01, 2023 to discuss on Q2/H1-FY 24 results and business outlook of the Company.

The above information will also be made available on the website of the Company: [www.nxtbloc.in](http://www.nxtbloc.in).

You are requested to take the above information on record.

Thanking you.

Yours Faithfully,  
**For BIGBLOC CONSTRUCTION LIMITED,**



**ALPESH SOMJIBHAI MAKWANA**  
**(Company Secretary and Compliance Officer)**  
**ACS-46284**

**Encl.: as above**

**BigBloc Construction Limited**  
**Q2 FY24 Earnings Conference Call**  
**November 01, 2023**

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**Moderator:** Ladies and gentlemen, good day and welcome to the Q2 FY24 Conference Call of BigBloc Construction 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 this conference call, please signal an operator by pressing \* and then 0 on your touchtone phone.

I now hand the conference over to Ms. Purvangi Jain from Valorem Advisors. Thank you and over to you, Ms. Jain.

**Purvangi Jain:** Good afternoon everyone. My name is Purvangi Jain from Valorem Advisors. We represent the Investor Relations for 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 2024.

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's beliefs as well as assumptions made by and information currently available to the management. Audiences are cautioned not to place undue reliance on these forward-looking statements in making any investment decision. The purpose of today's earnings call is to educate and bring awareness about the company's fundamental business and financial quarter under review. Now, let me introduce you to the management participating with today's earnings call and hand it over to them for their opening remarks.

We have with us Mr. Mohit Saboo – Director and Chief Financial Officer, and Mr. Manish Saboo – Marketing & Strategy Head. Without any further delay, I request Mr. Saboo to start with his opening remarks, followed by financial and operational highlights of the company. Thank you and over to you, sir.

**Manish Saboo:** Thank you, Purvangi. Good afternoon everyone. It is a pleasure to welcome you all to our earnings conference call for the second quarter and first half of FY24. Firstly, let me thank all the participants joining us today and I hope everyone is keeping safe and well. In the interest

of those of the participants joining us today, who may be unfamiliar with the business, I would like to give a brief overview of the company first.

BigBloc Construction Limited is one of the largest AAC block manufacturers and related products. We have a total installed capacity of 825,000 cubic meters per annum, including the newly commercialized Wada plant. AAC blocks are a superior quality building material which provides unparalleled blend of strength, lightweight, thermal insulation, soundproofing, unsurpassed fire resistance and highly proficient building capabilities. AAC is a natural and nontoxic construction material that saves energy and is ecofriendly. These AAC blocks of the company are marketed under the brand name NXTBLOC, which is a green building product for the construction industry.

BigBloc aims to become an unparalleled name in the industry, manufacturing quality building materials that focus on sustainability. We also hope to aid the construction and infrastructure industry in adopting green and sustainable practices for a better future. BigBloc has three state-of-art manufacturing units located at Vapi and Ahmedabad in Gujarat and Wada in Maharashtra making it one of the largest AAC block manufacturers in India. However, with the ongoing expansion, the company will catapult to become the largest AAC manufacturer in India by FY24.

Now, let me ask our Director and CFO, Mohit Saboo to brief the company's financial performance on a consolidated basis for the second quarter and first half of FY24. Thank you.

**Mohit Saboo:**

Good afternoon, everyone. Welcoming you to the earnings conference call. Let me take you to the performance of the company for the second quarter and then followed by the half yearly results for the financial year ending 2024. During the quarter under review, the operating revenues for the quarter were Rs. 59 crores, which grew by 21% year-on-year and by 7% quarter-on-quarter. The EBITDA was reported at Rs. 15 crores, representing a year-on-year growth of 7% and a quarterly growth of 17%. EBITDA margins were 25.3%. Profit after tax for the quarter stood at Rs. 7.5 crores with PAT margins of 12.73%.

On a half-yearly basis, the company's operating revenues stood at Rs. 114 crores, demonstrating a 9.3% growth year-on-year. EBITDA was reported at Rs. 27 crores, which grew by 5% year-on-year. EBITDA margin stood at 24.1%. The profit after tax was reported at Rs. 13 crores with PAT margins at 11.79%.

Now coming to the operational highlights for the quarter, the newly installed Wada plant operated only at around 45% in the second quarter and is currently operating at a capacity utilization rate of approximately around 80% and we will commence the construction activities for Phase 2 at the Wada plant shortly. Construction work at the upcoming joint venture facility that is SIAM Cement-BigBloc Construction Technologies Private Limited is progressing rapidly and we anticipate commencing commercial productions within the next six months. During the

quarter, the company proactively conducted a comprehensive evaluation and testing of autoclaves across all our factories. Consequently, a decision has been made to replace 5 out of the 6 autoclaves at Umargaon unit. Orders for the autoclave upgrades have already been placed and the replacement process is planned for the ongoing quarter with minimal disruptions to production.

Throughout the quarter, the company funded its customer base, welcoming esteemed clients such as Mundra Solar Technology Limited, Adani group, Mahindra Lifespace Developers Limited, Solaris Group, Siddhi Infrastructure, Avadh Builders, Ami Organics, Alembic Limited, Deepak Nitrite Limited, Hindva Group, Konart Steel Buildings Private Limited and many others. Additionally, the company has initiated the supply of products for government school projects under Sarva Shiksha Abhiyan, further diversifying its customer portfolio.

Lastly, I'm happy to inform you that the company has declared an interim dividend of 10% for the general shareholders, while the promoters have again chosen to forgo their dividend rights as earlier, demonstrating their commitment to supporting the company's growth and expansion plans. Thank you.

With this, we can now open the floor for questions and answer session.

**Moderator:** Thank you very much. We will now begin the question and answer session. The first question is from the line of CA Garvit Goyal from Invest Analytics. Please go ahead.

**CA Garvit Goyal:** My first question is on the utilization side. So, what is the expected utilization for Q3 and Q4 on the total capacity of 8,25,000?

**Mohit Saboo:** So, for the upcoming two quarters, we expect capacity utilization in uppers of around 80%.

**CA Garvit Goyal:** For both Q3 and Q4, right?

**Mohit Saboo:** Yes.

**CA Garvit Goyal:** Understood. And what can be the potential impact of like you people are mentioning in the presentation that we are going to replace these 5 autoclaves for the Umargaon plant. So, is it going to impact volumes in Q3 or we will achieve the 80% utilization of 8,25,000 even after those replacement?

**Mohit Saboo:** So, we have planned upgrades in such a way that it will hardly hamper our production capacities and in spite of these upgradations of autoclaves, we intend to achieve overall 80% capacity utilization as I mentioned earlier.

**CA Garvit Goyal:** Understood. And can you please mention at what utilization level was Wada plant in Q2?

**Mohit Saboo:** In Q2, the Wada plant was approximately at around 45% to 50% capacity utilization.

**CA Garvit Goyal:** So, what is the reason for this lower utilization like we were targeting earlier 70% utilization in Q2 itself? So, are you people witnessing any slowdown in the demand or what is the exact reason for it?

**Mohit Saboo:** So, in the last quarter earnings concall also, I had mentioned that by the end of Q2, we should be reaching around 70% capacity utilization and if we see, we have been gradually month-over-month increasing the capacity utilization for the Wada plant. And as I mentioned during my speech itself that currently it is approximately at around 80%, which is quite optimal. So, month-on-month there has been better utilization of the newly installed plant.

**CA Garvit Goyal:** Lastly, on the guidance side, so on full year basis like you people are mentioning in H2, the utilization level will improve and H2 is definitely a good quarter for construction. My question is on the volume guidance on full year basis for FY24?

**Mohit Saboo:** So, you want to know approximately volume growth or revenue growth?

**CA Garvit Goyal:** Both in terms of revenue, in terms of volume, absolute volume?

**Mohit Saboo:** So, I think we should be getting a revenue growth of almost 25% and volume growth also should be, I mean in similar ratios of almost 20%-25% as compared to last year.

**CA Garvit Goyal:** And one more thing, government has recently mandated all the thermal plants to provide the fly ash free of cost for the highway project and that to be the immediate effect. So, government is also requiring the power plant to mandatorily supply the fly ash. So, if that is the case, clearly results in the shortage of raw material for us, and we may be required to pay for it, so is that understanding correct or how do you see it?

**Manish Saboo:** Well, I think this has been mandated since maybe in last 5 to 10 years and fly ash is actually going for highway projects, you know, since a long time now for landfilling, but then still the stocks available at the thermal power plants are ample and I don't think we should see any impact for the sale.

**CA Garvit Goyal:** And on sales realization side, so these are falling quarter-on-quarter. So, demand is not an issue and you are saying supply is lower than demand, then can you please explain the fall in the prices?

**Mohit Saboo:** So, there has been a minor drop in the selling price realizations and I think that has been also supported by the lower raw material cost because the energy cost, the cost of cement and all other raw materials has been on the lower side. And similarly, we have had to pass on some benefits to the customers. And apart from this, we have started marketing because there has been volume growth also. So, we have started marketing in different territories considering

our upcoming expansion etc. as well where the selling prices are comparatively lower as compared to the other markets. So, that is the only effect. If we see in terms of our profitability and everything, it is almost on similar levels or somewhat better.

**CA Garvit Goyal:** Understood. So, based on the understanding, I think in Q3 80% utilization, we will be able to achieve 160 kind of volume, right?

**Mohit Saboo:** Yes.

**Moderator:** Thank you. The next question is from the line of Richa from Equitymaster, please go ahead.

**Richa:** Sir, my question was on price gap between AAC block and red brick and over last few quarters, this seems to have narrowed down. And do you foresee a situation where this parity, you know where this price gap maybe is not attractive enough for this entire shift to or it could impact the shift? If you could talk about that a little?

**Manish Saboo:** Honestly, in the last I think last 6 to 12 months, the AAC block prices as well as the brick prices have stabilized with hardly, you know, a movement of maybe 2%-3% here or there. And today AAC blocks are comparatively cheaper than red bricks. And I don't see any changes coming in the prices of red bricks now over a period. In fact, with the Pollution Control Board, the National Green Tribunal becoming strict with every passing day, they'll move further away from the city and I see railway prices maybe eventually going up and not coming down. And also with the advantages of AAC blocks, better strength to weight ratio, lightweight characteristics and the speed in which the construction happens, any contractor who has used AAC block once, in fact, even a labour would prefer using this product only compared to red bricks.

**Richa:** And this is yet still in the range of 20% to 25% is this difference right now?

**Manish Saboo:** Yes, approximately.

**Richa:** And you talked about this autoclave replacement, some companies are getting notices and all. So, could you share what kind of cost we would be incurring on this replacement and what percentage of capacity or production does it represent in the current structure?

**Mohit Saboo:** So, the Umargaon plant is the only plant where we are replacing some autoclaves. We have a total of 6 autoclaves, out of which we'll be replacing 5 of them. So, almost, 85% autoclaves are being replaced. And in terms of the cost for this, the total cost will be approximately around 4 crores to 5 crores for replacement.

**Richa:** And everything will happen this quarter right, all the replacement that is expected to happen?

**Mohit Saboo:** Yes. So, we had already placed the order for the autoclaves and they have also been received at site. And during Diwali, there is a little bit of a slowdown etc. So, during that period, we will be completing the autoclave replacement procedure without major effect of production.

**Richa:** And sir of the CAPEX that is supposed to be incurred on, you know phase 2 and this JV, how much we have already incurred and what could be the incremental debt from here?

**Mohit Saboo:** So, for the JV, currently we have not availed any debt and totally we have done a CAPEX of almost around Rs. 11 crores – Rs. 12 crores combined together and for the Wada CAPEX, currently we have just done some CAPEX from our end. Again, the bank finance is still not done. We have just put up the proposal for bank finance. Then, we should get a sanction in the next one month or so.

**Moderator:** Thank you. The next question is from the line of Anil Thakkar from Jalansh Advisors. Please go ahead.

**Anil Thakkar:** I'll just, you know, one or two questions. One is, what is the average receivable days in September, which we just concluded and the previous year same period?

**Mohit Saboo:** I think the average receivable cycle currently would be in the range of approximately between 60 to 70 days. Previously, it was approximately at around 50 days.

**Anil Thakkar:** So, there's an increase of around 20 odd days in the receivable cycle?

**Mohit Saboo:** Yes, approximately around 15 days.

**Anil Thakkar:** So, any specific reason for that, which can be attributed to this, you know, almost 30% odd jump in the receivable days?

**Mohit Saboo:** So, frankly, overall our volumes have also grown. And secondly, the payments have been slow overall in the entire value chain or in the entire cycle since there has been, you know in the last 1-1.5 years, the RBI has also increased interest rates and overall the liquidity etc. from the markets have gone down. Looking at all those things, this debtor increase has taken place in the last 1-1.5 years.

**Anil Thakkar:** Any sticky customers or anything like that?

**Mohit Saboo:** We don't have any such sticky customer issues, etc. No such major issues.

**Moderator:** Thank you. The next question is from the line of Garvit Goyal from Invest Analytics. Please go ahead.

**Garvit Goyal:** Can you please discuss the demand outlook for next 2-3 years at the industry level and how the upcoming capacities can create the competition for us. That is one. And secondly, right now we are at the turnover level of Rs. 210 CR, right? So, how do you see, means what are your internal targets 2-3 year down the line to achieve this level of turnover or this level of PAT margins. So, how do you look at this?

**Mohit Saboo:** Demand is still robust and we see, you know, as we had mentioned before also that still AAC blocks must be approximately about 10% of the overall volume market. So, eventually this percentage is going up and still we have a long way to go. So, for the next 3 to 5 years, we see excellent demand. And as you know, we have mentioned we are planning of expanding now going further in North as well as South markets. So, hopefully, we want to make next block a Pan India brand and that's where we are working towards.

**Garvit Goyal:** And what are your internal targets like in terms of topline targets and bottomline targets?

**Manish Saboo:** So, we are scaling up our capacities and we intend to increase our installed capacities gradually going ahead. Currently, it is around 8,00,000 cubic meters and in the next 6 to 8 months we intend to be around 1.3 million cubic meters. And post that, we intend to put up capacities of around 1,000,000 cubic meters combined together in the northern and southern part of India reaching a total capacity of around 2 million plus cubic meters in the next 2 to 3 years. And our topline target, it's similarly of somewhere around Rs. 400 crores to Rs. 500 crores is what we intend to reach.

**Mohit Saboo:** Rs. 400 crores to Rs. 500 crores by end of FY26.

**Manish Saboo:** By end of FY25 or FY26.

**Moderator:** Thank you. The next question is from the line of Aditya from Securities Investment Management. Please go ahead sir.

**Aditya:** Sir, you have mentioned in the press release that we had undertaken replacement of autoclaves because there were some issues being faced by some of our competitors. If you could elaborate to what were these issues and is the manufacturing process for a small player as well as a big player same?

**Manish Saboo:** There was an incident at one of our competitors that before about maybe 2 to 3 months and which impacted their productions maybe by 1 or 2 months. So, without taking anyone's names, we just thought that it's better to do proper tests and everything, and then that's how we realize that it is. For, you know, future safety, we just saw that it's better to replace these autoclaves.

**Aditya:** And is there process similar for manufacturing AAC blocks? Is it uniform?



**Manish Saboo:** Yeah, more or less, it should be similar. There might be some differences in the raw material mix depending on the quality of raw materials and used by different manufacturers in different regions.

**Aditya:** Got it. And Sir, and how frequently would we have to undertake this exercise in your opinion?

**Manish Saboo:** So, the Umargaon plant was already like around 11-12 years old. And I think we have to change autoclaves in the period of about anywhere around 11 to 15 years depends on the usability and the working conditions etc.

**Aditya:** And sir since we are predominantly a west-based player, so I just wanted to understand the penetration of AAC blocks. So, is it more in Western India as compared to other parts of India or would you see that the penetration of AAC blocks is pretty uniform all over India?

**Manish Saboo:** No, it's definitely higher in Western markets because I think it's started first installed at Pune in India. So, I think that's where it started from and Western India having the maximum, I think we have maximum number of cities or maybe tier 1 cities. So, yes, the penetration is maximum in Western India.

**Aditya:** So, just wanted to understand what would be the reason that West has a higher penetration of AAC blocks? So, is it just that the first manufacturing was done in the West or there are some other reasons like availability of raw materials or better acceptability, any other reasons?

**Manish Saboo:** I think it's a mix of all these reasons we have mentioned above. I think the first productions were done here. We have maximum productions of AAC blocks in Western India. We have maximum tier 1 and tier 2 cities wherein there are big construction companies which are able to understand the advantages and adapt to them earlier compared to tier 3, tier 4 cities or even villages. So, I think a mix of all these reasons is why Western India has highest penetration of AAC blocks.

**Aditya:** Got it. And when you say that the AAC block is still around 10% of the overall volume market, so this percentage would be around 30% to 40% in the Western markets alone. Would that be a correct assumption?

**Manish Saboo:** No, I think, let's say if we are talking of Pan India at about 10%, Western India might be at about 20%. So, it's very difficult to get exact figures because there are no researches done by anyone. So, very difficult to get exact numbers, but then it must be around 20%.

**Aditya:** I just wanted to understand is there some runway for growth even for us in the western markets alone?

**Manish Saboo:** Yes, we do have and that's the reason we are still expanding in Western markets by doubling our capacity at Wada and also coming up with the joint venture plan to manufacture AAC blocks as well as AAC panels near Ahmedabad with SIAM Cement.

**Aditya:** Got it. And sir just one question. Regarding this AAC panel, so is the raw material and manufacturing process pretty similar to AAC blocks?

**Manish Saboo:** The process is similar with some added procedure, because we'll be using some steel reinforcement between the panels. So, yes, the procedure is quite similar, but then there are some additional machines and we'll have to follow some additional procedures to make panels.

**Aditya:** Got it. And what is the difference in applicability between both these products?

**Manish Saboo:** So, AAC panels, I think the installation will be comparatively faster and thus there will be further time saving compared to using AAC blocks.

**Aditya:** OK, so this AAC panel is a substitute for AAC blocks only?

**Manish Saboo:** No, it is again a walling material, which can be used instead of red bricks or AAC blocks, so it is a further advanced material to AAC blocks wherein the construction happens comparatively faster, it's reinforced and instead of using a 6-inch block or a 9-inch brick, you can use maybe a 4-inch panel, so thus save on space as well.

**Aditya:** And what would be the difference in realization between block and panel?

**Manish Saboo:** Well, to start with, I think we should be able to maintain a similar about 25% EBITA in panels as well. But going forward, it can increase because first we need to create a market for AAC panels.

**Aditya:** Got it. And would we be the first player for AAC panels or there are other players already selling these?

**Manish Saboo:** There is a player who selling it, who has done some modifications to their existing plant and hence I think it is not the best way going forward to make the best quality product. We will be installing a plant which will be completely new plant to make AAC panels. So, there should be differences in quality as well as cost of production.

**Aditya:** The distribution channel for AAC panel will be similar to the AAC blocks?

**Manish Saboo:** Yes, it should be because the end of the day, it's used by the same builder or a contractor, so it should be similar.

**Moderator:** Thank you. The next question is from the line of Garvit Goyal from Invest Analytics. Please go ahead.

**Garvit Goyal:** Can you also comment on the net profit margin like it is 12% for the Q2, where do you see net profit margin in H2?

**Mohit Saboo:** So, frankly, as I mentioned in the last call also, I think we are working more on the EBITDA margins rather than the net profit margin because there are lot of other things like CAPEX etc. and interest in depreciation are something which are not completely exactly in our hands. So, EBITDA is something that we look at and this quarter also our EBITDA has been in the range of around 24%-25%.

**Garvit Goyal:** So, where do you see EBITDA shaping up like with an increasing realization from Wada plant, I think operating leverage should kick in. So, I think going forward EBITDA margin should improve, right?

**Mohit Saboo:** The EBITDA margins will remain almost similar going ahead because 24%-25% is good of EBITDA margin frankly looking at the overall cycle.

**Moderator:** Thank you. The next question is from the line of Pranav Nagarkar, who's an individual investor. Please go ahead.

**Pranav Nagarkar:** Right now, I'm seeing that debt to equity ratio has already reached to 1.12x. So, how does the management strategize to plan its debt operations?

**Mohit Saboo:** So, the debt equity ratio is at around 1.1-1.15 something, but that also includes some debt, which has been given as unsecured loans from the directors or promoters to the tune of approximately around 0.1%. So, actual debt equity, if we see from bank finance perspective, then it is around 1:1 and looking at we have already increased our margins and we can comfortably go up to a debt equity ratio of around 1.3 to 1.5 to fund our upcoming CAPEX.

**Pranav Nagarkar:** Understood. And one more question I had, what was the revenue contribution from the Wada plant during the quarter?

**Mohit Saboo:** I will have to actually check that figure, I don't have it available.

**Pranav Nagarkar:** No issues. And have you received all the government clearance for the phase 1 of the Wada plant?

**Mohit Saboo:** So, for subsidy, we are just finalizing and applying. But apart from that for working of the plant, we have all the government permissions and necessary things in place.

**Moderator:** Thank you very much. The next question is from the line of Gaurav Shah from Harshad Gandhi Securities. Please go ahead.

**Gaurav Shah:** Sir, I have a couple of questions. Firstly, just wanted to understand the industry better given we use cement and fly ash as our raw material for making the AAC blocks. Why can't the cement companies get into the AAC segment given the margin for our AAC blocks are better than the cement sales and their wide distribution network. So, what's basically stops cement company from getting into AAC block market? First question.

**Manish Saboo:** Honestly, nothing stops them from getting into AAC block manufacturing. In fact, the likes of some players, including UltraTech and JK Lakshmi have already got into it, but UltraTech faced a difficult time in AAC blocks honestly, and I think recently UltraTech had installed 2 plants, and recently they have already sold off one of their plants. So, also these cement companies, the plants they have installed are all German plants wherein the CAPEX used to be at least 3 times than what we do. Still, they were somehow not very successful and that's the reason likes of Ambuja and ACC decided to get products on contract manufacturing from existing players.

**Gaurav Shah:** And the second question, so just wanted to understand your total opportunity size for this blocks market? So, I think last year we achieved a turnover of Rs. 200 crores. So, do you think let's say in 4 to 5 years we can achieve a turnover of Rs. 1000 crores or something like that? So, what's the opportunity size for this AAC blocks?

**Manish Saboo:** Well, the opportunity size is huge and the opportunity, I think the growth in this market is also growing at anywhere upwards of 20% CAGR. So, the opportunity size is definitely huge. And so as mentioned before, we are already in the world of finalizing our North and South India ventures very soon and going maybe in the next 5 years, we should be able to reach anywhere upwards of Rs. 500 crores to Rs. 600 crores.

**Gaurav Shah:** And sir last question, just wanted to understand the raw material consumption basket for making AAC blocks like we use fly ash, cement and lime and all that. So, can you just provide the breakup in percentage terms?

**Manish Saboo:** The fly ash would be anywhere between 60% and 65%. Cement would be about 20%, lime about 12% and the remaining 3% would be a mix of aluminum powder and other additives.

**Gaurav Shah:** So, fly ash, normally we get from thermal powers, right? So, are we in long term supply arrangement with any cement plant?

**Manish Saboo:** So, we use pond ash which is freely available for us. We only have to pay for transportation.

**Gaurav Shah:** So, it's like a we place for the orders. So, we are supposed to pay for the transportation cost?

**Manish Saboo:** Yes.

**Gaurav Shah:** And we get it from the spot market price. There is no long term supply arrangement?

**Manish Saboo:** There's no agreement required, neither anyone enters into it because it is lying since years we only have to lift it.

**Moderator:** Thank you. The next question is from the line of Richa from Equitymaster. Please go ahead.

**Richa:** I just wanted to have your comments on the supply situation. More capacities have come in the last one year or are expected in the next 1 to 2 years, if you could talk a little about that. And also I wanted to understand, you're talking about cement companies are facing challenges and are kind of selling of plants. Could you highlight a bit more what kind of challenges they are facing where are they getting stuck or finding challenges?

**Mohit Saboo:** So, regarding capacity expansion and everything, so yes, you know new players are entering the industry and there are very few old good installed plants which are available for sale to be very honest, but those are not fully automatic or very ideally well installed plants or maybe away from the thermal power plants. And similarly, those plants would be of a capacity of around 1-1.5 lakh cubic meter whereas the new plant Wada plant are 5 lakh cubic meter per annum that we have installed. So, economies of scale in those old plants in the long run will not turn out to be very viable. Can you just help me repeat the first question that you asked?

**Richa:** The first question was our peers in the listed and unlisted space, the way we are expanding capacities, could you give us a sense of what kind of capacities are expected in the industry apart from what we are doing?

**Manish Saboo:** So, few of our competitors are definitely expanding, but from what we know, not at the pace at which we are planning to expand. So, I think the capacities are definitely increasing, but then I think the demand is increasing comparatively more than what the capacities are coming in.

**Richa:** And sir, also what the challenges you know already established, let's say, cement companies are facing with a better kind of machinery, as you said?

**Manish Saboo:** So, these plants, usually these plants run at a breakage levels of anywhere between 3% to 7% to 8% or maybe up to 10%. From what we had heard, frankly, I mean, UltraTech was running at a much higher breakage level and that's why once you have higher breakages, then the running of plant is not sustainable because your profitability goes down and also it requires a lot of space to store the broken material. So, I think those sorts of challenges were being faced by UltraTech and maybe some other cement manufacturers and that's the only reason why most of the cement manufacturers are not decided to get into AAC blocks.

**Richa:** And sir, what would be that number for us?

**Manish Saboo:** So, the number for us, the breakage would be anywhere between around 3% to 4%. The newly installed Wada plant is at a rejection level of less than 2%.

**Richa:** Good to know that. And once the capacity comes up, let's say we expect by the end of FY24, this JV venture capacity to come up. How much time does it take for you to reach 80% to 90%? Do you expect it by the end of FY25?

**Manish Saboo:** Yes. So, I think that our Wada facility, we started commercial production somewhere in April and I think by October, we are almost at 80% capacity utilization. So, I think a similar period of almost 6 months would take to reach 80% capacity utilization.

**Richa:** And full utilization would mean 80 or 90, is there a number for that?

**Manish Saboo:** For that utilization, we should consider considering this product anywhere between 80% and 90% is the optimum utilization.

**Moderator:** Thank you. The next question is from Garvit Goyal from Invest Analytics. Please go ahead sir.

**Garvit Goyal:** You mentioned to the earlier participants regarding the ramp up of SIAM plant. So, my questions are on both SIAM side and the Wada phase 2 side. So, what is the timeline for commissioning of Wada phase 2 and the SIAM?

**Manish Saboo:** So, Wada phase 2, timeline is approximately around 6 to 8 months, and for SIAM also, the timeline is approximately around 6 months.

**Garvit Goyal:** That means by the end of this financial year, both of these should get commissioned, right?

**Manish Saboo:** By the end of this financial year or by Q1 of FY25.

**Garvit Goyal:** And are you people considering any raising of funds via equity issue, preferential issue, any kind of two fund these CAPEXs?

**Mohit Saboo:** So, we are planning to raise some funds for our upcoming expansions.

**Garvit Goyal:** Via equity issue, right?

**Mohit Saboo:** Yes, via equity as well as debt, both.

**Moderator:** Thank you. The next question is from the line of Gaurav Shah from Harshad Gandhi Securities, please go ahead.

**Gaurav Shah:** So, my second followup question was in respect of the BMC guidelines which they issued on like 25th of October regarding some controlling the air pollution for the new construction sites and all that. So, do you think it will have any effect on our like operation sales basically?

**Mohit Saboo:** So, frankly, those guidelines have been issued by BMC to the builders or anyone who is into construction and contracting activities do follow all the pollution control norms. So, it won't have any major impact on us, to be very honest. And BMC has already laid down all the necessary guidelines which need to be followed. And I think majority of the people are already following it and just a reminder to all of them for enforceability or following up of the same.

**Gaurav Shah:** So, we don't foresee any impact on our sales?

**Mohit Saboo:** No, nothing as such.

**Gaurav Shah:** Sir, second question is like just wanted to understand. So, once we receive the order, how many days like we require for execution, like 25-30 days to complete the order?

**Mohit Saboo:** So, the cycle for us to manufacture the material is approximately around 12 to 15 hours only. So, that's not the challenge at all. But what happens is generally the construction site have very limited space available. So, looking at all those things, they place orders with us in a way that when they have material requirement within the next 2 to 3 days and that's how we keep on getting repeat orders from different customer sites.

**Gaurav Shah:** And what's the current order book size for us right now?

**Mohit Saboo:** The current order book will be approximately at around 8 to 10 days approximately.

**Gaurav Shah:** Do you have any figure in mind?

**Mohit Saboo:** It could be around Rs. 7 crores – Rs. 8 crores.

**Gaurav Shah:** So, basically, we are subject to the short term like it's like 8 to 10 days order book, right?

**Mohit Saboo:** So, this industry overall, you cannot have a very long order book because it's a bulky product and lots of these small unorganized builders will keep on placing order as per the requirement because they know they'll get a delivery within 3 to 5 days of their placing the order. And that's how the entire industry cycle is working.

**Moderator:** Thank you. The next question is from the line of Chirag Jain who's an individual investor. Please go ahead.

**Chirag Jain:** Mr. Saboo, I just wanted to ask that what has changed for the industry over the past 3 years or past 5 years, because if I look at your financials, at some point down the line you are doing

about 7% to 9% margins that has suddenly increased from 9% to about 25%. So, what is this? Is this a temporary phenomena, a structural change which has taken place in the aerated autoclave industry, which is why now you are getting higher realizations, which has led to increasing operational efficiency leading to higher margins? That would be my first question. And secondly, your correlation between aerated autoclave concretes and red bricks. Could you just elaborate or explain on that concept again? Thank you.

**Manish Saboo:**

Well, I think the adaptability of the product has definitely gone up and there was a time wherein, you know, maybe lot of builders or contractors were not using the product compared to what it is today wherein in tier 1 and tier 2 cities, the acceptance towards AAC block has definitely gone up. And definitely it has been held by, there was a time when AAC blocks was comparatively expensive by almost 15% to 20% than red bricks wherein AAC block used to be at about Rs. 3000 a cubic meter whereas the bricks were at approximately around Rs. 2500 a cubic meter compared to what it is today. It is absolutely opposite phenomena wherein AAC blocks is at approximately 4000 levels and brick must be somewhere around Rs. 4800 to Rs. 5000 levels. Also anyone, any builder who has once used AAC blocks, it will be very, very difficult for his contractors or the workers to again shift back to bricks because the advantages what AAC block has are comparatively way higher than in red bricks. So, I think a mix of all the factors has led to a structural change in the entire industry. And now AAC blocks is eventually becoming a preferred supply material. Also even the government is now focusing on usage of more AAC blocks and it is being made compulsory in most of the government construction, be the likes of Awas Yojanas, Kanya Shiksha Parishad, Police Housing, so I think even the government is helping AAC blocks.

**Chirag Jain:**

Sir, the general spread between red bricks and AAC would be about 15%. The difference in pricing between both of them on average is because you've been in the industry for so long.

**Manish Saboo:**

So, there was a time wherein AAC blocks was 15% to 20% expensive. So, they are pretty much expensive compared to AAC blocks by 15% to 20%.

**Chirag Jain:**

So, now it is reversed, right?

**Manish Saboo:**

Now it is reversed.

**Chirag Jain:**

But the general differential between the two has been about 15% to 20%?

**Manish Saboo:**

Yes.

**Chirag Jain:**

And Sir, currently what about carbon credit? Because as you mentioned in your presentation with regards to carbon credits, with new capacities coming in, so in the current quarter, have there been any income from carbon credits? Are we into carbon credits trading or we are using the certificate you are selling it off, how is it? Just a brief on the same.



**Mohit Saboo:** So, we are generating carbon credits because we are using fly ash from the thermal power plant, which is a hazardous waste, and because of that reason, we are generating some for carbon credits and in the last quarter we have revenue of approximately around Rs. 1.1 crores to Rs. 1.2 crores from carbon credit.

**Chirag Jain:** So, going ahead after the full utilization, that is all the capacities coming in, what would be the total revenue from carbon credits which would be generated, an approximate ballpark figure?

**Manish Saboo:** We should be generating approximately 2,00,000 units of carbon credit every year and the current price is approximately \$4 for the same.

**Chirag Jain:** And all that would be reflected in other income, right?

**Mohit Saboo:** So, no, it's forming a part of our normal business operation itself, because this is the credit we are generating because of using fly ash which is our raw material.

**Chirag Jain:** So, it is not shown separately in other income, it forms a part of your cost of goods. So, that is your purchase and sales that is what it forms part of, right?

**Mohit Saboo:** It forms part of our revenue, not part of cost of goods sold.

**Moderator:** Thank you. As we have no further questions, I now hand the conference over to Mr. Mohit Saboo from BigBloc Construction Limited for the closing comments. Please go ahead sir.

**Mohit Saboo:** Thank you everyone for participating in the earnings concall. I hope we were able to answer your questions satisfactorily and at the same time, offers insights into our business and future plans. If you have any further questions or would like to know more about the company, please reach out to our Investor Relations Managers at Valorem Advisors. Thank you. Stay safe and stay healthy. Thank you.

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