



# BIGBLOC CONSTRUCTION LIMITED

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

Date: 29/01/2024

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 Q3 FY24 financial results held on 24<sup>th</sup> January, 2024**

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, January 24, 2024 to discuss on Q3 and FY24 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  
Q3 FY '24 Earnings Conference Call”  
January 24, 2024**



**MANAGEMENT: MR. MOHIT SABOO – CHIEF FINANCIAL OFFICER –  
BIGBLOC CONSTRUCTION LIMITED  
MR. MANISH SABOO – MARKETING AND STRATEGY  
HEAD – BIGBLOC CONSTRUCTION LIMITED**

**MODERATOR: MR. VIKRAM VILAS SURYAVANSHI – PHILLIPCAPITAL  
INDIA PRIVATE LIMITED**



**Moderator:**

Ladies and gentlemen, good day and welcome to the Bigbloc Construction Limited Q3 FY24 earnings conference call hosted by PhillipCapital India Private Limited. This conference call may contain forward-looking statements about the company which are based on the beliefs, opinions and expectations of the company as of the date of this call.

These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the 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. Vikram Vilas Suryavanshi from PhillipCapital India Private Limited. Thank you and over to you, sir.

**Vikram V. Suryavanshi:**

Good afternoon and warm welcome to everyone. Thank you for being on the call of Bigbloc Construction Limited. We are happy to have management with us here today for question and answer session with investment community.

Management is represented by Mr. Mohit Saboo, Chief Financial Officer and Mr. Manish Saboo, Marketing and Strategy Head. Before we start with the question and answer session, we will have opening comments from the management. I will hand over the call to Mr. Mohit Saboo for opening comment. Over to you, sir.

**Mohit Saboo:**

Good afternoon, everyone. Thank you for the introduction, Mr. Vikram and also PhillipCapital for hosting today's Earnings Call. It is a pleasure to welcome you all to our earnings conference call for the third quarter and nine-month-ended financial year 2024.

Let me first take you through the financial performance of the company for the third quarter and then followed by the nine-month-ended results for the financial year ending 2024, after which Mr. Manish Saboo will provide the operational highlights. During the quarter under review, the operating revenues for the quarter were INR62 crores, which grew by 24% year-on-year and by 4% quarter-on-quarter.

The EBITDA was reported at INR16 crores, representing a year-on-year growth of 22% and a quarterly growth of approximately about 9%. EBITDA margins were 26.34%. Profit after tax for the quarter stood at around INR9 crores, which grew by around 12% year-on-year and 15% quarter-on-quarter, with PAT margins reported at 13.98%.

For the nine months under review, the company's operating revenues stood at INR175 crores, demonstrating a 14% growth year-on-year. EBITDA was reported at INR44 crores, which grew by 10% year-on-year. EBITDA margins stood at around 24.87%, while the profit after tax was reported at INR22 crores, declining by 11% year-on-year, with PAT margins reported at 12.55%.

Now I request Mr. Manish Saboo to brief you on the operational highlights.

**Manish Saboo:**

Good afternoon everyone and thank you for joining us today. I am delighted to announce that during the quarter under review, the company has achieved its highest ever quarterly sales

EBITDA and PAT. This success is attributed to the positive trends in the real estate sector and the favourable economic landscape.

Several noteworthy accomplishments occurred during the quarter. Firstly, the Wada plant's utilisation improved to approximately 90% in Q3 FY24, exceeding expectations as last quarter we had announced in our earnings call we should be able to get to 80% levels. Consequently, the company has initiated expansion plans to double the capacity from 250,000 m<sup>3</sup> to 500,000 m<sup>3</sup> at this plant.

In the last quarter, the autoclave machines at Umargaon plant were successfully replaced. This replacement resulted in a capacity utilisation of around 60% for the quarter, with expectations of returning to previous levels in the ongoing quarter. Additionally, through joint venture with Thailand's SCG Group, company CM Cement Bigbloc Construction Technologies Pvt. Ltd. is in the process of establishing a 300,000 m<sup>3</sup> plant for ALC panels and ALC blocks at Kapadwanj, Ahmedabad. We expect production to commence in the next 2-3 months from this plant.

Recognising the company's robust performance, the board has announced a second interim dividend of 10% on face value. Majority of the promoter group has waived their right of dividend like last two times.

With that, I now open the floor for the questions and answers session.

**Moderator:** Thank you very much. The first question is from Ravi Agarwal from Agarwal Investment. Please go ahead.

**Ravi Agarwal:** Hello.

**Moderator:** Yes, Ravi. Go ahead with the question.

**Ravi Agarwal:** Yes, sir. Sir, my first question is whether we have started aiming for Wada after 250,000 capacity. Whether we have started to gain another 250,000 capacity in Wada?

**Manish Saboo:** So, we have already started construction work and even placed orders for machinery to make the capacity from 250,000 to 500,000 cubic meters.

**Ravi Agarwal:** Okay. And what was the revenue from Wada itself in the 9 months?

**Mohit Saboo:** So, Wada plant was at approximately around 90% capacity utilization. And the revenue from Wada plant was approximately at around 18 to 20 crores. Okay.

**Ravi Agarwal:** And sir, one last question. Nowadays, construction companies are looking at different types of mechanism like precast technology. So, whether it affects our business or because I have heard in Hyderabad also that bricks are banned and whether it affects AAC industry or just it fails to please the construction industry?

**Manish Saboo:** So, I think the technology you are talking about may be the Mivan technology. But the problem with Mivan technology is you need a really big real estate project and the cost of Mivan technology is at least 30% to 40% higher compared to AAC blocks or any sort of construction.

Another issue with the Mivan technology is that whatever was planned, later on you cannot make any changes or any extra wall or any sort of changes to that construction. So, that technology is definitely there, but I think it will take a long, long time for some country like India to adapt to it.

**Mohit Saboo:** And currently, to add to this, as of today also in India, the share of AAC -- red bricks is almost around 80% whereas the share of AAC blocks is around 7%, 8%, 10% and Mivan and all such are probably 1% or 2% share. So, looking at all those aspects, the conversion from red bricks to AAC blocks will happen first.

**Ravi Agarwal:** Okay. Sir, I have heard about some of the companies that precast technology give this benefit that they are completing their project quite early. So, this will benefit them from the financial useful success of long depth period. So, many of the companies in Mumbai and Hyderabad...

**Manish Saboo:** The construction speed in ACC blocks is also building fast. And to further enhance the speed of construction, even we are coming up with AAC panels which has all the additional benefits of AAC blocks, something like a light weight as well as better floor area, floor construction. So, AAC panels will be a way superior product compared to any sort of construction that you are talking about.

**Ravi Agarwal:** Okay. So, you will find that the AAC blocks will still find good business in -- latter word also means after coming of this precast technology, then also you will find that AAC technology will still be there with a good margin share in the business.

**Manish Saboo:** Well, India must be having still, you know, currently let's say about 100-odd AAC block plants whereas China still which has -- technology in China is far ahead than us. And China still is running anywhere in upwards of 2,500 to 3,000 AAC block plants. So, I think India has a long way to go, and we have a lot of conversion from red bricks to blocks will eventually happen.

**Ravi Agarwal:** And sir, in the last quarter, the quarter three of FY'23, you told that Wada plant and joint venture will be start from the third quarter. But it is somewhat with delay in the fourth quarter of FY'24.

**Mohit Saboo:** I think in the last two conference calls also we had informed that we start construction activities at the Wada plant once we reach 80% capacity utilization which we have achieved in Q3. And accordingly, we have taken up the expansion plan for the Wada plant which we have communicated in the last conference call. And also during the last two conference calls, we have been mentioning that the JV plant, which is with SCG, in that also we intend to start commercial productions in the next two to three months approximately.

**Ravi Agarwal:** Okay. Thank you, sir. All the best for your future.

**Mohit Saboo:** Thank you.

**Moderator:** Thank you. The next question is from the line of Pranay Jain from Deal Wealth. Please go ahead.

**Pranay Jain:** Yes. Wanted to understand what volumes are we estimating for FY'25, not just in AAC blocks but also in other value-added products such as ALC panels and etcetera, compared to what we have projected to achieve this year?

**Mohit Saboo:** So, our current installed capacity is around 825,000 cubic meters per annum. And average utilization of around 80% is considered to be a good optimum standard for this kind of an industry. So, for the next entire year FY'25, this 825,000 should be utilized at around similar levels of 80 percentage oddly. And the added capacity of 500,000 cubic meters per annum approximately, which will come from the Wada plant as well as the JV plant, that should keep on gradually scaling up quarter-on-quarter. So for Q1, we should be around 20 percentage-30 percentage and Q2 around 40 percentage-50 percentage and Q3 and Q4 by approximately 70 percentage -75 percentage oddly.

**Pranay Jain:** Okay. And what is the realization trajectory that we are penciling for AAC blocks on a blended basis? And also, what could be the value accretion in panels and other products that we are planning to foray next year?

**Mohit Saboo:** So, panels being a new product in the market, we are already starting pre-marketing activities for the same. And initially, we think for the first year, panel capitalization should be 15 percentage-20 percentage. But gradually, year-on-year, conversion from blocks to panels should keep on happening. And moreover, to add to this thing also, this is a completely fungible capacity plant that we are installing.

So, wherever we are not able to create the demand for panels, we will be sufficient enough to sell AAC blocks also at that place. And in terms of selling prices, so the selling price for blocks are currently approximately in the range of around INR4,000 per cubic meter. Whereas, panels will be comparatively higher going up to almost INR7,500-INR8,000 per cubic meter.

**Pranay Jain:** Got it. And our initial market activities and partnership talks that we are having, what's the kind of acceptance we are seeing in terms of utilization in the existing projects or the projects which are lined up for next year?

**Mohit Saboo:** So, we are talking about AAC blocks or panels here?

**Pranay Jain:** Panels and other value-added products in construction chemicals or others that you may have been in talks with SCG?

**Mohit Saboo:** So, blocks are already being utilized. In terms of panels, we have started pre-marketing activities. And we have done some mock-ups at a few of the construction and builder sites as well. And majority of them have liked the product. But to start commercial working, they need regular supply of the product. And that we'll be able to provide only when we start commercial production.

Because currently -- in the current landscape, importing from Thailand and selling is not turning out to be viable, to be very honest. And in terms of construction chemicals also, so currently we are selling block-jointing mortar, ready mix plaster. And for these also, we are continuously



seeing increase in volumes. And we also plan to introduce some other construction chemicals going ahead in the next two quarters.

**Pranay Jain:** These will all be locally produced or there is some component coming in from Thailand?

**Mohit Saboo:** No, these will be locally produced and these will be done solely by us, not in a JV company right now.

**Pranay Jain:** Okay. Something you are starting from Q1, FY25?

**Mohit Saboo:** We are already doing trading for some of these products. And we will start our own manufacturing in the next two quarters for these two things.

**Pranay Jain:** Okay. And say over the next two years, what do you think these panels and mortar mix and other construction chemicals could account for as percentage of our book?

**Mohit Saboo:** So, in the next two years, I think panel share will go up to almost 5%-10% of the total books. Because out of the total installed capacity, the panel's capacity is just 25 percentage. And that to over a two year period, 30%-40% adaptation or 40%-50% adaptation of the panel market. And construction chemicals should form maybe around 10%-15% of the total revenue or top line that we are looking at.

**Pranay Jain:** All right. And any indication on what margins we would be happy with over the next one to two years? I mean, you already guided for this year. It's a broad range. But as we have more visibility on our expanded capacity and training and the new products, anything you could share?

**Manish Saboo:** So, I think we are currently also running at pretty good margin. And I think going forward, anywhere between 20%-25% should be a good margin to run at.

**Pranay Jain:** That's already existing. It should be moving up, right? With the higher value that we are pursuing?

**Manish Saboo:** Initially, once when we are introducing panels in the market, we would like to do it at similar margins. But then, yes, going forward, once the product is very well accepted in the market, depending on how much time it takes, then in the panels, the margins can definitely increase.

**Pranay Jain:** Got it. And last thing, in our plans across different locations in the country, how is the competitive intensity in other parts? I mean, west we are dominating, but in other parts where we are considering next setups, how are things looking?

**Manish Saboo:** So, we are already studying two markets and the situation is quite similar. The acceptability of blocks eventually is increasing in all regions and things are looking quite promising. So, maybe very soon we'll have an announcement of some other region as well.

**Pranay Jain:** All right. Wishing you the very best. Thank you. I'll get back in the queue.

**Manish Saboo:** Thank you.

**Moderator:** Thank you. The next question is from Mangesh Bhadang from Centrum Broking. Please go ahead.

**Mangesh Bhadang:** Hi. Good afternoon, sir. I just had a question on the margins. Sorry, I'm new to the company. I've not studied in detail. But the margins for this product seems very high compared to what we see for the listed large cement players like JK Lakshmi or UltraTech. They do not make similar kinds of margins. What is it that we are doing differently or how sustainable these margins are for this business?

**Mohit Saboo:** So, in terms of the margin profile, majority of the good AAC players whom we consider as competition would be also running in the margin levels of approximately around upwards of 15% to 22% of EBITDA margins. And as compared to them, the advantage that we have in this aspect is, one, we are having multiple plants in a similar territory. So, in terms of our buying power, whether it comes to cement or whether it comes to lime, aluminum powder, etcetera, because of our volumes, we always end up getting somewhat better prices compared to our competitors, maybe around 1% to 2% at least.

Secondly, we are one of the only owners of carbon trade in this industry. And because of this also, we end up generating additional margins of around 1% to 2%. We have a fleet of almost 70 to 75 trucks on the books of the company which are used for getting raw materials from the thermal power plant as well as sending goods to the end customer. That also adds to the profitability of the company at the end. So, these are the main key points which has been increasing the margins.

**Manish Saboo:** Also, when it comes to pricing, because of our fleet, we are able to deliver the material on time, which gives us an extra edge compared to our competitors. And hence, even on pricing, we command a premium on our competitors.

**Mangesh Bhadang:** Okay. And sir, with regards to the reach, I just wanted to understand that we have our plants located in Maharashtra and Gujarat. So, is -- so basically is there any catchment area that you can service from here on? And in order to grow further, do you think that the plant should be in different localities? The other way to look at it is, does freight play a very large role on pricing or margins for this business?

**Manish Saboo:** Yes. So, it is similar to cement, I would say, because similar to cement, we are able to service the market up to almost 300 kilometers to 350 kilometers from plants. So, and that's why currently we are able to service the entire Western India from entire Gujarat, Maharashtra, and to the likes of South Rajasthan, Western MP. And now, yes, to cater to different geographies, we have to plant different location plants.

**Mangesh Bhadang:** Okay. Sir, and one more question was on the affordability. So, just wanted to understand from, compared to the traditional bricks, how much would these cost higher? And, you know, I understand the advantages of faster construction, stability and all, but just wanted to understand from a builder's standpoint, how much would be the additional cost on, say, per square feet basis for using AAC compared to traditional bricks?



- Manish Saboo:** So, in current, scenario, AAC blocks would be 10% to 15% cheaper compared to red bricks and not expensive.
- Mangesh Bhadang:** Okay. Okay. Yes, final question on the capacity expansion. So, you mentioned you would be doubling your capacity from the existing, and you already are one of the largest. So, what time frame do you think that you will take to achieve, say, 70%-80% utilization on the expanded capacity?
- Mohit Saboo:** So, the capacity expansion is coming up at two places, one at Wada and the second in the JV company in Ahmedabad location. And in the Wada plant, for Phase 1, we took a period of almost six to seven months to reach a capacity of 80%. And the upcoming two expansions as well, we see a similar time frame of six to eight months to reach capacity utilization of upwards of 70%.
- Mangesh Bhadang:** Okay. Okay. Thanks a lot, sir, and congrats on good set of numbers.
- Moderator:** Thank you.
- Moderator:** Thank you. The next question is from Pranay Jain from Deal Wealth. Please go ahead.
- Pranay Jain:** Thanks for the opportunity again. What is our marketing and promotion budget looking like for next year compared to what we had penciled for this?
- Manish Saboo:** So, currently, honestly, the company is not spending much on marketing, but as we are coming out with a new product, the next year promotional expenses will be higher, which we are already in talks with SCG and which should be finalized anytime in Feb, because we'll be starting our marketing campaign also in Feb as we are expecting the productions anytime in the next two to three months for AAC panels.
- Pranay Jain:** I understand exact figure can be gotten later, but indicatively, what could it be as percentage of this year's sales, for example?
- Manish Saboo:** It would be below 1% of this year's sales.
- Pranay Jain:** Okay. Okay. And like we are going to be enjoying 60% subsidy from the Maharashtra government for other locations. What are the opportunities looking like in terms of the talks that we would have had with other states?
- Mohit Saboo:** So, there are various subsidies from different states that we are exploring, like for the JV plant also, we'll be getting some benefits of subsidy, which are gross GST exemption and net GST exemption in terms of HGST. And also there is some capital subsidy to the tune of 25-30 lakhs, some subsidy related to electricity duty exemption. And similarly, the other territories also, whichever we are exploring, there are some of the other benefits of subsidies at various locations. And whatever are the best benefits available, we'll be availing the same.
- Pranay Jain:** Are they nearly as good as Maharashtra?

- Manish Saboo:** No, I think Maharashtra locational subsidy is something really good compared to other states, I would say. And this also, when you're talking about Maharashtra, this is there in certain regions of Maharashtra, in the region that we have selected as this sort of subsidy.
- Pranay Jain:** I understand, we have strategically chosen the locations. And aside of this, what is our effective tax rate expected? Just wanted to see what overall benefits we are getting other than subsidy and the carbon credits, which maybe we might look to encash a year down the line. What's the effective tax rate going to be?
- Mohit Saboo:** So, on the carbon credits, the tax rate is at 10%. And the Vada plant started commercial production in April 2023. And that plant is enjoying tax rate of 15%. And the JV factory also, as per the current taxation structure, we intend to start commercial production, hopefully in the month of March itself. And once we achieve that, then effective tax rate in that plant also will be 15%.
- Pranay Jain:** Got it, got it. And lastly, from SCG, what is our longer term vision plan in terms of the footprint, not just in products, but also the opportunity to service domestic and maybe their clients in other regions also? Are we looking at that?
- Manish Saboo:** So, we are definitely already in talks for other products, other regions. But I think the first and foremost focus currently is starting the commercial production at this plant. And I think then we shall take all other things ahead.
- Pranay Jain:** Okay, because many construction material companies have been supplying in other regions and the demand is pretty good. So, I thought maybe we would also have something to share on that front, not just in India, but around the region also.
- Manish Saboo:** No, but around the region, for SCG also, this is their first investment in India. Currently, they don't have any plants located anywhere else in India. So, yes, we are definitely in talks for other products as well as other locations for AAC panels with them.
- But eventually, any further discussion will take place once the commercial production begins, which is hardly maybe almost two, two and a half months to go.
- Pranay Jain:** Understood. Thank you so much.
- Manish Saboo:** Thank you.
- Moderator:** Thank you. The next question is from the line of Rahil Shah from Crown Capital. Please go ahead.
- Rahil Shah:** Hi, sir. Good afternoon. So, just one question. You were asked on the margins, like, how will they shape up in the next year? But you said that we slowly see an uptick as you see an increase in the production of the panels and the other product categories. But given these expansions and everything, what kind of outlook do you have on the revenue, which for this year you expect to be in the range of 20%-25%, will it be much higher next year? What are your expectations?

- Mohit Saboo:** So, yes, next year, the revenue should be comparatively much higher because in the current year, the Wada plant was running at lower utilization for the first six months. But for the last six months, the Wada plant will be running at good utilization. Like in Q3, it was at almost 90 percentage.
- So, next year -- of the current installed capacity, as I mentioned earlier on one of the questions, we see an average utilization of 80 percentage. And the new capacity of approximately 500,000 cubic meters per annum, we see an average utilization going up to 50 percentage. So, the top line should also accordingly proportionately increase.
- Rahil Shah:** Any ballpark number you'd like to provide?
- Mohit Saboo:** Frankly, we can't provide a ballpark number right now, but we are seeing the capacity utilization with the current selling prices. So, I think we can see maybe a revenue growth of approximately around -- upwards of 25 percentage-30 percentage plus.
- Rahil Shah:** Right. Got it. Okay. Thank you and all the best.
- Moderator:** Thank you. The next question is from Arpit Shah from Stallion Asset Management. Please go ahead.
- Arpit Shah:** Hello?
- Mohit Saboo:** Yes.
- Arpit Shah:** Just wanted to understand the volume guidance that you just shared, 50% plus utilization. Is that of a new facility, Wada plus JV or is it just Wada?
- Mohit Saboo:** So, we are estimating approximately 40% to 50% plus utilization of both the new capacities, Wada plus JV.
- Arpit Shah:** So, 250,000 tons coming from these plants and 80% of 825? Is that the right way to look at it?
- Mohit Saboo:** No. So, 825 is the existing installed capacity and approximately 80% from that. And there are two new expansions coming up, 250,000 at Wada and similar 300,000 at the JV factory. So, total additional installation will be approximately 500,000 to 560,000. The variation I say is because if we make panels, then the capacity is counted as 250,000 cubic meters, whereas if we make blocks, the capacity goes up to 300,000 cubic meters.
- Arpit Shah:** Got it. And the realization is 2x of the blocks, right?
- Mohit Saboo:** Yes. Approximately around 1.75x to 2x of blocks.
- Arpit Shah:** And the EBITDA per cubic meter will be also similar or will be higher for AAC panels?
- Mohit Saboo:** No. I think we should count similar EBITDA in the range of 20 percentage to 25 percentage approximately.

**Arpit Shah:** Got it. And how should we look at, let's say, over a medium term with the price per block or the realization per ACC block? Because probably we have seen a decline. Our volumes have increased over the last couple of years, but our prices for AAC blocks declines. How should we look at it over a medium term?

**Mohit Saboo:** So, there are two-three aspects in this thing. One, the product is sold, landed at site to the customer. So, there are lots of sites where our transportation cost is also comparatively lower. And that would be reflected by lower cost of transportation means lower other expenses also.

And if you see from that point of view, our EBITDA margins have almost remained similar or have improved over the last one or two quarters again because of better capacity utilization. So, the selling price that is mentioned is including of transportation cost and that's the reason we see that there has been a little bit of a dip in the selling prices.

And yes, there has been somewhat correction in the selling prices also, but that has also been backed by lower raw material cost, including energy cost like coal. Even cement prices have been comparatively lower. Similarly, lime. So, all these things have also contributed for a little bit of reduction in the selling prices.

**Arpit Shah:** Got it. And are we looking to reinvest some of the margins that we are making? We have a very decent margin of 25% on our revenues. Are we looking to reinvest some of these margins in building our brand for next block? Because in a building material company or building material brand, it's really, really important, be it cement or be it pipes or whatever. So, we need a great brand to push more products to distributors, dealers and everything. So, are we looking to reinvest up to 2%-3% of sales in the next FY'25-'26?

**Manish Saboo:** So, the exact strategy for the same is being worked out. And also as we are planning a pan India presence, what you are saying is absolutely correct. We are definitely focusing ahead to create next block as a pan India brand. And whatever is necessary for the same, we will do the needful.

**Arpit Shah:** Got it. Just one last question. Our AAC blocks are now cheaper by 10%-15% compared to red bricks. So, why is the adoption not growing at a humongous pace? I just want you to understand that. Because we are still growing at 25%-30% and not growing faster than that. And the bricks are cheaper and it has more benefits than red bricks.

**Manish Saboo:** The adoption which we are seeing in the last two years is very, very fast. And I think this change in the pricing between AAC blocks and red bricks has happened in the last two years itself. And since then, the adoption is pretty fast. In fact, majority of the AAC block manufacturers must be running at almost full capacity.

**Arpit Shah:** Got it. So you have to just strengthen your moat around the business otherwise, because your margins in ROC are super attractive for other players to come into the business.

**Manish Saboo:** Yes, but running this industry is not one of the easiest tasks. And that's why in the past, a lot of units were sold. And even we had taken over a unit. So, running this industry is not a very, very easy task.

- Arpit Shah:** Got it. Thank you so much. Best of luck.
- Manish Saboo:** Thank you.
- Moderator:** Thank you. The next question is from Sriram R, who is an individual investor. Please go ahead.
- Sriram R:** Thank you for the opportunity. I just want to understand, what are the entry barriers in this business?
- Manish Saboo:** So, honestly, there are no entry barriers as such. But as I mentioned before, running this industry is not an easy task. A company like UltraTech had past -- installed an AAC block plant, but somehow they had to exit that industry.
- And I think recently they even sold off one of their plants. They had installed two plants. And that's why, looking at it, a lot of cement manufacturers as well, like we are doing contract manufacturing for ACC as well as Ambuja.
- So, for them, installing this plant must be a piece of cake. But then maybe running this plant is not very, very easy. And hence, a lot of cement manufacturers are not getting into the industry. And a lot of other players have also realized it the hard way and hence are not entering the industry.
- Sriram R:** Can you just elaborate that? Why do you say running the -- operations are so difficult?
- Manish Saboo:** So, 65% of our raw material is fly ash, wherein we use pond ash. The quality -- the composition, quality of pond ash varies as per the efficiency of the thermal power plant, the coal that they use. The change in the season leads to a change in the properties of pond ash.
- And hence, all these AAC plants, they run at rejection levels of anywhere between 3% and 8% to 10%. So, 3% to 8%, wherein I think the average industry must be running at a rejection level of maybe 6% to 7%, whereas we are able to run at somewhere around 3%. And this rejection, so we are talking about, let's say, each plant of 1,000 cubic meters, a 6%-7% rejection is almost 40 tons of rejection every day.
- Now, maintaining this -- stocking of this rejected material becomes really difficult as the plant gets older. So, I think rejection is one of the key reasons why a lot of AAC block plants in the past have failed.
- Sriram R:** Thank you so much, sir. All the best.
- Moderator:** Thank you. Unless there are no further questions, I would now like to hand the conference back to the management team for closing comments.
- 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 offer insights into our business. 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. Stay healthy. Have a good day. Bye-bye.



*Bigbloc Construction Limited*  
*January 24, 2024*

**Moderator:**

Thank you very much. On behalf of PhillipCapital India Private Limited, that concludes the conference. Thank you for joining us. Ladies and gentlemen, you may now disconnect your lines.