



BIGBLOC CONSTRUCTION LIMITED

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NXTBLOC[®]
Autoclaved Aerated Concrete Blocks

Date: 02/08/2022

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 Thursday, 28th July, 2022 at 12:00 PM IST to discuss on Q1FY23 results and business outlook of the Company.

The above information will also be made available on the website of the Company: www.nxtbloc.in.

You are requested to take the above information on record.

Yours Faithfully,

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

Nishtha Pamnani

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



Encl. as above



“Bigbloc Construction Limited Q1 FY 23 Earnings Conference Call”

July 28, 2022



MANAGEMENT:

MR. NARAYAN SABOO - CHAIRMAN AND EXECUTIVE DIRECTOR, BIGBLOC CONSTRUCTION LIMITED

MR. NARESH SABOO - MANAGING DIRECTOR, BIGBLOC CONSTRUCTION LIMITED

MR. MOHIT SABOO - DIRECTOR AND CFO, BIGBLOC CONSTRUCTION LIMITED

MR. MANISH SABOO - MARKETING AND STRATEGY, BIGBLOC CONSTRUCTION LIMITED

MODERATOR:

MR. KARAN THAKKER - S-ANCIAL TECHNOLOGIES



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Karan Thakker:

Good afternoon everyone, this is Karan Thakker and on behalf of S-Ancial Technologies, I welcome you all to Bigbloc Construction Limited Q1FY23 earnings conference call. From the management we have Mr. Narayan Saboo, Chairman and Executive Director; Mr. Naresh Saboo, Managing Director; Mr. Mohit Saboo, Director and CFO; and Mr. Manish Saboo, Marketing and Strategy.

I would request you to refer to the investor presentation that has been uploaded on the exchange, which will throw much more light. Starting with statutory declarations, certain statements in the concall may be forward looking. These statements are based on management's current expectations and are subject to uncertainties and changes in circumstances. These statements are not guarantees of future results.

May I now request Mr. Mohit Saboo to take us through his opening remarks, subsequent to which we can open the for the Q&A session. Thank you and over to you Mohit ji.

Mohit Saboo:

Good afternoon, everyone. I'd like to welcome all of you to the Q1FY23 conference call for Bigbloc Construction Limited. Bigbloc Construction Limited is India's premier AAC blocks manufacturing company. We are currently involved in manufacturing of AAC blocks as well as other materials which are block jointing motar, ready mix plaster as well as coming up with AAC panels soon.

Currently we have two plants installed in Gujarat, one of them at Umargaon near Vapi and other at Ahmedabad. So, from the Umargaon plant, we are catering to the markets of Mumbai, Pune, Vapi, Silvassa and from the plant near Ahmedabad the market of Ahmedabad, Baroda, and Indore and some regions of MP.

AAC blocks is a green building material, which is used as a direct substitute for red brick. It is manufactured using fly ash, which is 65% of our raw materials. Fly ash is a waste from the thermal power plant, and that is the reason that it is called a green building material. The other additives used for manufacturing the product are cement, lime, aluminum powder, gypsum and some other additives.

Coming down to the quarterly performance, so Bigbloc Construction has seen a revenue growth of almost 100% from INR 282 million in Q1FY22 to INR 555 million Q1FY23. The EBITDA has gone up from INR 33 million in Q1FY22 to INR 122 million in Q1FY23. Also, the volume sales have increased by 33% from 96,000 cbm to 1,27,000 cbm and the EPS has also seen a phenomenal jump from INR 17 paise per share to INR 1.19 per share.

This was a phenomenal quarter for the company because in this quarter we have seen phenomenal growth in terms of volume as well as revenues and also the profitability has seen a tremendous jump. Also, during the quarter, we have acquired land for our planned expansions at Wada. So, we are coming up with one more plant at Wada which will be one of India's largest AAC plants, when it's fully commercialized. We have bought land of 9.5 acres, the plant will be installed in this land, the construction has already begun and the plant is divided into two phases of 2.5 lakhs each.

The reason we are installing the plant at Wada is there are huge subsidy benefits also in this region because it is not an industrially developed region. We have placed order for majority of the machines to be installed at this plant and we intend to start commercial production at this point by December'22. Also, we'll be coming up with one more expansion which will be in a JV with the Thai company Siam Cement Group, SCG.

In this plant we'll be manufacturing AAC blocks as well as panels. The JV company is already incorporated and the capital infusion is done for the same. We are currently in the process of land identification and land acquisition for the JV company, which we intend to complete in the running quarter.



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Also, we would like to make one announcement that we generate carbon credits as we are using fly ash, which is a waste for the thermal power plant. The carbon credit generated are still in stock, we haven't disposed them off. I think we can open the floor for some questions now.

Moderator: Thank you. We will now begin the question and answer session. First question is from the line of John Matthew, an individual investor.

John Matthew: So, I have few questions. Have you seen any capacity increase done by any unorganized players in this quarter and second, is there any major difference between prices of our blocks vis-a-vis an unorganized player?

Mohit Saboo: So, in this quarter we haven't seen any capacity increase, but there is bit of a capacity increase upcoming from a few competitors as well in the upcoming quarters. And regarding, what was the other question?

John Matthew: Do you see any major differences between the price of our blocks versus an unorganized player?

Mohit Saboo: So generally, we are, one of the oldest and organized players in the industry and that's the reason that our prices are a little bit higher than the unorganized player by approx 3% to 6%, depending from time to time.

John Matthew: Okay. Well, the price for bricks and blocks both have come down a little in this quarter. So how do you see it for this financial year?

Mohit Saboo: So, the prices for bricks and blocks both have come down, one reason is you know the overall costing has also come down for lots of things because cement and aluminum powder, all the metals have also witnessed some slow down and that is the reason that prices for both of things have come down. But going further, I don't see any further corrections in prices and moreover, the way real estate and the upcoming demand is shaping up, it doesn't seem to be challenging at all. Just to address it more, we are replacing red bricks, which is happening at a much faster pace now. Red bricks are still at a share of almost 85%-87%, whereas AAC blocks are at a share of 8%-9% and red bricks today is still expensive then AAC blocks on a peer-to-peer comparison without counting the advantages of AAC blocks.

John Matthew: Okay. Are you looking for any organic or inorganic acquisition or any plans to increase capacity by outsourcing from unorganized players?

Mohit Saboo: We are open to those ideas of organic and inorganic acquisitions, but regarding the contract manufacturing from unorganized players frankly that doesn't seem to be very viable or practical because we'd rather do it on our own. That's what we feel. Because the other manufacturer also, if we try to get a contract manufacturing done from them, nobody has a spare capacity, as most of everyone's capacities are sold out.

John Matthew: Well, the earlier question as you said, that the prices of bricks and blocks have come down. So, if I talk about this financial year, do you see it coming down or what will be your target in terms of profits?

Mohit Saboo: Currently, the prices that have come down, that is only because of the reduction in cost. So, we don't see any further reduction in cost also because everything seems to have been stabilized, whether it's steel, cement or even aluminium powder and everything. And again, once the monsoon finishes from September onwards we further see upper trend in pricing, because cement and also is bound to go up because of infra demand and everything, which is a little slow in this quarter.

John Matthew: Great, okay. One last question from my end what is your current working capital cycle?

- Mohit Saboo:** Approximately around 50 to 55 days.
- Moderator:** Thank you. Next question is from the line of Anika Mittal from Nvest Research.
- Anika Mittal:** As we know, fly ash constitutes 65% of our total raw material consumption, and currently we are getting free of cost, nevertheless this situation may not continue in the future as you know, bidding for fly ash has already started for some of the thermal plant. So basically my questions are, one, whether we are going to make payment for the fly ash in the near or the long term and in that scenario, how we are going to control our margins. And second one is as you know, due to the renewable energy, taking over the thermal power, it is likely that the thermal plants will be facing the shutdown in operations in the future. So that may lead to the problem in the supply of fly ash, so what are the alternatives and how we are going to tackle that scenario?
- Mohit Saboo:** We'll take it in two ways. One thing is fly ash, so we are using pond ash. We are not using fly ash. So, pond ash is a ash which has been accumulated in the pond or near the thermal power pond since the last 20, 30, 40 years, since the thermal power plants have been running. And currently we are not paying anything for that. And I don't even see that pond ash will be saleable material because the use of phone ash is very limited and coming down to the other point that solar and other energies, we see that the green energy and everything is rising and there's no doubt about it, but still in India, there have been recent various articles, which are always mentioned that India is facing tremendous power shortage and all the thermal power plants are been run in phenomenal capacity in the last quarter.
- Manish Saboo:** Also to address your question. So, at one of our facilities, we are already making sand based blocks as well, other than flash ash. So just in case 5-10 years down the line, there is any scarcity or unavailability of flash ash, our plants can always shift to sand instead of fly ash. For your information, majority of AAC block plants in Europe are running on sand and not fly ash because those countries don't have fly ash.
- Anika Mittal:** And what is the source of this sand basically? Is it an environment friendly source or something else?
- Manish Saboo:** So basically it's river sand.
- Anika Mittal:** Currently how much basically, how much of the total capacity we are producing from this river sand?
- Manish Saboo:** So, at our Ahmedabad unit, we are approximately anywhere around 20%-25%, we are making sand based.
- Anika Mittal:** And you are saying five years down the line if that happens, means fly ash is not available or they are charging the prices. So sand ash is also free of cost or not?
- Manish Saboo:** No sand again, we'll have to pay some transportation costs otherwise the costs are quite negligible, not much. And also the pond as Mohit said flash ash pond, which have accumulated fly ash for the last 20-30 years, still I'm sure there is so much Ash in them that there is no issues for the next 10 to 15 years.
- Anika Mittal:** So, are we the only player who is producing AAC block via this pond ash?
- Manish Saboo:** No, we are not the only players. There are other players who are making, using the pond ash, but still thermal power plants, they still have so much Ash when they're running that they still have to you know dump these Ash in the pond. So, we don't see any issues for the next 10 to 15 years, at least. And in case still there is an issue. There is a sand always available in ample.



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- Anika Mittal:** And you are saying the cost of that is very negligible.
- Manish Saboo:** Cost is negligible. But in case, you know, if the cost also goes up, it will go up for all the manufacturers and the same will result in the increase in the selling price as well.
- Anika Mittal:** Okay, understood. And second question is if we see around the industry competitive intensity is growing up and a lot of players are building up the capacity. So, my question is what gives you the competitive advantage? Obviously apart from your strategic location I'm asking in the terms of product quality or innovation size, based on which we can claim that yes, we have the monopolistic advantage in the industry, because if you see capacities are building up at this rate and with the low entry barrier, as we know, so what shall give us the pricing power?
- Manish Saboo:** So, as you said, we already have location advantages and with the unit coming up at Wada, we'll be almost in the heart of Mumbai. So anywhere in Mumbai, Pune market, we are the nearest supplier. Other than that the subsidies will always play a big role helping the bottom line of the company. And we are coming up with the AAC panels as well. So that will be a new material and that also is coming up with a partner who's already established in this field and they have plants in various countries, SIAM cement. So, I'm sure this innovative new material will again help us keeping our bottom line on track.
- Anika Mittal:** I understood as per your earlier con calls also, you are saying AAC panels, we are the only manufacturer apart from that Magicrete you were saying that has built the capacity in recent past. So, what I'm asking is what is the growth scenario you are looking for this AAC panel.
- Mohit Saboo:** In India also the labor costs and all such things are increasing, material handling and everything is all getting difficult. So, panel will be much faster in construction and also the labor costs will go down drastically. So eventually from AAC blocks, the other alternative material will be panels. And apart from that, the consumption of red bricks is also supposed to keep on getting reduced day by day. So, conversion from red bricks to AAC blocks and from AAC blocks to panels is what we see in the upcoming future.
- Anika Mittal:** I understood this thing, but your existing facilities that are producing AAC blocks, so can these facilities also be used for producing the AAC panels, because if the shift happens, then what will be the use of the existing capacity you are having?
- Mohit Saboo:** We can upgrade our existing plants also for manufacturing of AAC panels. We will have to do some technological modifications and install some additional machinaries for panels. That's what will be required, as simple as that.
- Anika Mittal:** And this AAC plants you are producing via your new plant JV in Ahmedabad, right?
- Mohit Saboo:** Yes.
- Anika Mittal:** And when will be the expected commissioning?
- Mohit Saboo:** So, we are currently in the phase of land identification and acquisition and tentatively, we intend to start commercial production at that unit by June'23.
- Anika Mittal:** And in the recent part, you have provided the revenue guidance of 500 crore, approximately by the end of FY24. So, looking towards the existing utilization we should be at the volume level of 10,70,000 approx for INR 500 crore top line. So that is around 77% utilization and I hope by FY25, we can grow based on the remaining utilization. So, my question is regarding your plans after FY25, how we as a company are going to shape.?



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- Mohit Saboo:** So currently we have presence in Western India region only, and post completion of these two units, one at Wada and the other plant is in JV, near Ahmedabad, we intend to go pan India by setting up a plant in north as well as in south.
- Anika Mittal:** Okay. You are targeting the north and as well as south. After 2025, you are saying.
- Mohit Saboo:** Once we commercialize both the existing plant expansions, then we'll take up the other locations of north and south.
- Anika Mittal:** The expected ramp up I think, it should be by the end of FY25?
- Mohit Saboo:** By FY25-FY26, yes.
- Anika Mittal:** And little bit confirmation on that side only, since you're saying you are producing from the pond ash and you are not in the near future, you are not going to pay for the fly ash. Am I right in getting that point?
- Mohit Saboo:** Yes. We have been producing from pond ash since the last 11-12 years. We have our people visiting the ponds also frequently, every 15 days or something. And there's enough stock at the pond from where we are procuring in such a way that at least for the next five, seven years, we won't face any challenges with that. For the Umargaon plant or for the Wada plant, we have ash available from the Dahanu thermal power plant which belongs to Adani, plus the Nashik thermal power plant, or the Ukai thermal power plant. And similarly for the plant near Ahmedabad, we have Wanakbori thermal plant near Baroda and plus there's another thermal power plant in Gandhinagar.
- Anika Mittal:** And there is accumulated ash available and you are not seeing any problem for next five to six years.
- Mohit Saboo:** Yes, that's right.
- Moderator:** Thank you. Next question is from the line of Pranay Jain from Deal Well Capital.
- Pranay Jain:** Thank you for the opportunity. I have about three questions, the first one is on pricing and margin. It's great to see that the margin trajectory continues to climb up and from 20.5% we are at 22% plus right now. So just wanted to understand what should be the sustainable margin for the year. I understand from season to season, there can be some softness but otherwise what's the range that you're looking to maintain?
- Mohit Saboo:** See frankly the margins that we have announced in the last two quarters, these seem to be sustainable because in spite of the slowdown that we witnessed in Q1FY23, our margins have been maintained accordingly and going forward the real estate and overall infra and everything is supposed poised to grow. That's what this government is concentrating on and that's why we see the margins to be at least sustainable at this level, or it could further go up as well.
- Pranay Jain:** So currently, are we at optimum utilization of our facility?
- Mohit Saboo:** Yes, we are at optimum utilization. We are at almost 85%-90% plus utilization. There has been little lower utilization in the current month because of torrential rains in the Western region in the July month, but we are at around 85% to 90%.
- Pranay Jain:** And you believe that post this monsoon quarter, there's a chance as activity picked up, pricing perhaps can also improve a little bit further after the softness that we have seen.



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- Mohit Saboo:** Yes, because it is poised to go up, because red bricks is still expensive and if you know, just try and match those files, then we can still see anywhere between 10% to 15% price increase as well, going ahead.
- Pranay Jain:** I read a Gujarati notice or circular that was passed around where the body was seeking relief due to the GST burden and many units which manufacture red bricks were shutting down. So just wanted to understand are we seeing closure of several such units, which enables us to increase our market share? And what is the market share you anticipate over the coming one, two years for our product, from where it stands.
- Mohit Saboo:** So, the market share is poised to grow up continuously because the product is reaching far and wide. Earlier, it used to sell only in cities and towns like Bombay, Surat and everything, but off lately quarter over quarter, we have been witnessing demand from small towns and small cities as well. And as we mentioned earlier, that we are doing contract manufacturing for Ambuja also. So because of their presence, the awareness in rural areas and because of their dealer distributor networks in small towns, the demand from there is also increasing. So, it's just that market penetration is being done through them, but overall and large, we are also benefiting from the same.
- Pranay Jain:** So, what would be our market share as of FY22 close or presently?
- Mohit Saboo:** Market share compared to red bricks as per our understanding would be somewhere around 80%-85% whereas the AAC block somewhere would be around 8% to 10%.
- Pranay Jain:** So, we are 10% approximately of the AAC industry.
- Mohit Saboo:** Yes, but that is pan India. We don't have exact bifurcation, not such accurate reports available to be very frank.
- Pranay Jain:** And, it could reach say 15% in a couple of years time as a result of not just our clients, but also our own distribution efforts, is that possible?
- Mohit Saboo:** I think it should definitely reach that because government is also trying to push towards more organized and greener construction and like introducing GST on red brick manufacturers, which is like a cottage industry and they don't know the compliance and everything for GST. So, as you mentioned earlier that they have read the article that they're telling that they won't do manufacturing any further and all, so looking at all those things and looking at the support from government it seems that we should be able to reach to at least 15% in the upcoming couple of years easily.
- Pranay Jain:** And with regards to the additional capacity that's coming up, I know our Wada plant should be ready by December, but overall, when we are looking to add 8 lakhs by when do you see it coming on stream or are we tracking sometimes?
- Mohit Saboo:** So, we are doing Wada also in phases, and phase one, we are doing 2.5 lakhs, which should be commercialized by December and phase two will be another 2.5 lakhs, which should be commercialized by tentatively June 23. And similarly, the Ahmedabad plant will be 3 lakhs, which will be tentatively commercialized by June 23. And I think entire capacity ramp up and you know fully utilization of the new installed capacity should also happen by December 23 or March 24.
- Pranay Jain:** So, between now and December 23 what is the potential from new product introduction that we are pencilling, whether it is panels or magic or anything else that is in our R&D team what percentage of our revenue, or what size do you see possible in the next 18 to 24 months?



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- Mohit Saboo:** So, the Wada plant that we are doing is this just for AAC blocks currently. And the JV plant that we'll be doing with SCG near Ahmedabad will be for panels as well as blocks. We'll be having the option of manufacturing both at that location. Block being the product, which is replacing red bricks, because what will happen is panels is a much advanced and superior product and comparatively expensive as compared to AAC block as well. So, it will be first adapted by the more organized and the bigger builders, which includes the likes of L&T or Lodha, whereas AAC block will be used for conversion from red brick users and looking at the percentage of the share of panels. So, the plant will be of 3,00,000 cbm and in the initial years we just see in FY23 panel utilization of almost 20%-30%.
- Pranay Jain:** Understood. Also with regards to our longer term plan what is the increase in distribution efforts we are taking whether it is on ground presence or to large builder project because I see that that is an important pillar of our sustainable plan. So other than products entering new markets with new products, we just wanted to understand how strong are we on that plan, if you could give us some color, some numbers, some names.
- Mohit Saboo:** We have been concentrating on increasing our sales either to the large players, which includes the likes of Lodha, Runwal, L&T, BG Shirke, and all such contractors because they have huge upcoming projects, and that's what we concentrated on and giving them the best quality product, as well as timely services, because timely delivery of product is also very big aspect in this industry and regarding tapping new markets and all, we are trying to increase our team as well, so that and we have already increased few of our team who are joining us slowly and gradually to reach far covering markets, including the markets of Nashik as well as further going down in Mumbai, near Roa, Raigad, Alibagh, as well as and locations.
- Pranay Jain:** Got it. So just lastly you expect the second half to be again, seasonally stronger part of the year.
- Mohit Saboo:** Yes, definitely because in the first half from April to June, because of Holi and everything there is somewhat labor shortage and from July to September, because of monsoon, there is a little bit of slowdown because the rains in this region are sometimes torrential which we have witnessed in the current month. And from October to March it is considered to be the most peak construction activity period. So that time we definitely expect it to be better.
- Moderator:** The next question is Shyam Garg from Niveshaay.
- Shyam Garg:** Thank you for the opportunity and a very good set of number. My first question is with respect to what is the order book do we have right now?
- Mohit Saboo:** So, we are currently running at an order book of almost 7 to 10 days which is current order book pertaining to torrential rain and everything.
- Shyam Garg:** Okay so in value terms, what would be the amount of the order book?
- Mohit Saboo:** INR 7 crore, but what happens in this industry is you know it's a bulky material and people don't have storage space at their sites as well because at construction sites, it's almost cramped up in cities like Bombay, as well as Ahmedabad, so that's the reason that we don't have huge running order books. So, people give us orders and they expect delivery to be reaching with them in the three to five days. That's how the industry works. And only to torrential rains in the last 10-15 days in Ahmedabad as well as Bombay both the regions, all the sites were a little slow and they had to do a lot of efforts in maintaining their sites. But this order book in Monsoon season seems to be pretty good for us as for monsoon.
- Shyam Garg:** Okay. With respect to distribution channel, contact with a few luxury project builders like Lodha and other builders. So, what is the pay back period from them? From how much time do we get the payments from them?



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- Mohit Saboo:** So, generally these big builders, which includes the likes of Lodha, L&T, Runwal generally we end up getting their payments on average around 70 to 75 days.
- Shyam Garg:** So, with respect to the north region so there are few luxury high end project builders who were saying that they are moving back to red bricks again while using AAC block they founded the block is not that strong for the inside walls. So, they are shifting back to red bricks. So can you give some outlook on that?
- Mohit Saboo:** Frankly, we haven't come across any such things as two people are moving back to red bricks again, but with regards to the product and everything so what we have witnessed in the last one, one and a half years is the more organized or the stronger players are somewhat moving from AAC blocks to Mivan structure in some aspect, but that is again, much more expensive and also for the internal walls even in spite of using Mivan structure, they are using AAC blocks only as partition.
- Moderator:** Next question is from the line of Saumil Mehta from Mehta Advisors.
- Saumil Mehta:** I just have a quick couple of questions. I just want to know what is the progress on the plant with SCG international? And I believe the plant with SCG as well will be commenced in a phase wise manner. So, could you just tell me how much will they contribute in terms of margin initially?
- Mohit Saboo:** So, for the plan with SCG, we are still in land acquisition and identification phase, and we intend to complete the land acquisition in the running quarter by September 22, and with regard to the commencement or installation of that plant so it won't be in the phases. We'll be doing that plant at on shot altogether where we'll put up a capacity for 3,00,000 cbm, but that plant will again be expandable to five lakhs in future.
- Saumil Mehta:** Okay. And could you share some light on how much will they contribute in terms of margins?
- Mohit Saboo:** So, the company is already incorporated and sharing ratio is 52% is being held by Bigbloc and 48% by SCG and equity contribution will also be in the same ratio.
- Moderator:** Thank you. Next question is from the line of Pranay Jain from Deal Well Capital.
- Pranay Jain:** Thanks for the opportunity again just a couple of quick questions. One is just wanted to understand what are the carbon credits that we've accumulated at present and how do we intend to monetize it in the future? Just for a lay investors' understanding.
- Mohit Saboo:** So, we are registered for carbon credit because we are using fly ash and at our unit at Umargaon, we are generating 60,000 units every year and the audit is done for the same and we have accumulated almost around 40,000 to 45,000 units for a period till August 2021 and for the next audit, we are just appointing the consultant for the same and we should begin the audit, which takes a period of about three to four months. And we have held on the credits right now and not folded because of the Russian war and everything the carbon credit prices had come down, but now again the upward trajectory has started on the same. So, once we see the pricing to reach a good level, we might end up monetizing.
- Manish Saboo:** And also we from our past experiences, we have seen that the prices remain better in the second half of the year and the best the prices we can get maybe is in the last quarter. So, we'll monetize it at the best possible time.
- Pranay Jain:** Got it. So just for simple understanding, let's say we have one lakh carbon credits right now. What would be the present value of the same?



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- Mohit Saboo:** Currently the market prices around \$4 approximately, but we are looking at, we are expecting that it should be anywhere between \$5 and \$6 in the next couple of months.
- Pranay Jain:** And this of course would be tax efficient or would it attract a pretty high taxes?
- Mohit Saboo:** Current taxation is 10%, but I think there is also cases going on somewhere in Supreme court for the same.
- Pranay Jain:** Got it. And second thing that I saw in the investor presentation is we are now actively looking at export opportunities. I mean, there were two regions named like Sri Lanka and middle east. I don't know what's possible in Sri Lanka given the current affairs, but what do we anticipate in middle east?
- Mohit Saboo:** So frankly the freight rates are coming pretty high, but you know once the freight rates keep on going down, we might be able to explore export opportunities also. And earlier in the past, we did some experimentation by sending out some samples to UK and European markets, but then the freight rates increased drastically, so that didn't turn out viable, but we got our product approved and everything that way.
- Pranay Jain:** So, in the next one year, do you see our products landing in middle east and parts of Europe?
- Manish Saboo:** It really depend on the freight rate. And you know as a new Wada plant is also coming up, which is very near to the port, the Navashiva port so we definitely have an opportunity, but once freight stabilizes, we can definitely try and explore those.
- Pranay Jain:** Okay. But maybe the inquiries or demand is such that domestically, it will get absorbed.
- Manish Saboo:** The demand is pretty good, but then yes, we should definitely try and explore the opportunity in case we get one.
- Pranay Jain:** Okay. So looks something which is for next year, perhaps not much for this year.
- Mohit Saboo:** Yes, definitely after our Wada unit starts.
- Moderator:** Next question is from the line of Anika Mittal from Nvest Research.
- Anika Mittal:** Hello, thanks for giving the opportunity again. Basically, my question is regarding what is your expectation regarding Depreciation and interest cost on full year basis for FY23 and FY24 going forward?
- Mohit Saboo:** So, FY23-FY24, the EBITDA margins that we reported in the current quarter those are easily maintainable but we can even see some upper trajectory in the same in the later half of the year.
- Anika Mittal:** So, it is 22%. Are you sure we are able to maintain that in future?
- Mohit Saboo:** Yes, because even though Q1 was a little slow in spite of that we have been able to maintain those margins. And apart from that, as we mentioned earlier, that later on the second half of the year, the demand and everything is much more better than this, and we even see the pricing to go up.
- Anika Mittal:** And what about the depreciation and interest cost on full year basis?
- Mohit Saboo:** So, the depreciation interest course would continue to remain on similar level as it is in this quarter.



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- Anika Mittal:** This is basically around historically 10 crores accumulating. So, you are saying, this will be 10 crores only because you are doing the Capex. I think it should increase in the terms of that depreciation.
- Mohit Saboo:** Till December we expect the Capex to be completed until then everything will be amortize in the cost of plant or anything and thereafter from Jan onwards we expect to start commercial productions and from that plant also, we expect to get similar margins. So interest and depreciation cost will increase, but at that point of time, similarly, the productions and the volumes, as well as the stability will also go up.
- Anika Mittal:** So more or less, what are our sustainable PAT margins for future?
- Mohit Saboo:** So the current margins that we are witnessing in the current quarter is easily sustainable.
- Anika Mittal:** I'm talking about the PAT margins?
- Mohit Saboo:** So that's what, as I said, that even though the new plant is coming up and that interest and depreciation will go up, but we'll even start to get the volumes immediately once we begin commercial production from December.
- Anika Mittal:** Okay. So, can we expect it to own an average on 9%-10% PAT margin as historically we are able to maintain?
- Mohit Saboo:** I think we can expect better PAT margins of somewhere between 12% to 15%.
- Anika Mittal:** Okay. And what is our effective tax rate?
- Mohit Saboo:** Around 25% - 26%.
- Moderator:** Thank you. Next question is on the line of R Shraddha Somani in individual investor.
- R Shraddha Somani:** What I wanted to know is which other regions in which we, have the highest sales, it would be helpful if you could specify in terms of percentage.
- Mohit Saboo:** So, Bombay is one of our biggest markets and the sales from Bombay almost at around 50%. Ahmedabad being almost the second biggest market with the sales of almost 30%, Baroda being the third biggest with the sales of around 5% to 7%. Vapi and Pune also contributing anywhere around 5% to 7%, and other small town contributing another 5% to 7%.
- R Shraddha Somani:** Okay. And are we planning to expand in other regions then what we currently are present in?
- Mohit Saboo:** So, we currently have two planned expansions. One is Wada and JV company with SCG near Ahmedabad and post these expansions we intend to go north as well as south, one plant near Delhi and the other near Hyderabad or Bangalore.
- R Shraddha Somani:** And if you could provide with any potential capacity for them?
- Mohit Saboo:** So, we haven't taken up those expansions on hand, but more or less, principally, we'll be putting up a plant of five lakh cubic meters only at those location this way.
- Moderator:** Thank you. Next question is from the line of Suhridd Deorah from Paladin Capital.
- Suhridd Deorah:** Hi. Good afternoon. I have two questions. Firstly, could you tell me what is the aggregate capacity in India for AAC plants?



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- Mohit Saboo:** The total capacity pan India would be somewhere around 1.5-1.8 crore cbm, pan-India.
- Suhrid Deorah:** And do you know what is the approximate increase that one could see in the next 2-3 years in capacity installed?
- Mohit Saboo:** It's not possible for the next 2-3 years because we don't know if everyone's planned expansions to be very frank, but in the upcoming one year, I think we can see a capacity increase of somewhere around 15%-20%.
- Suhrid Deorah:** So, 20% of this would be about 30 Lakh.
- Mohit Saboo:** Yes, approximately 25 to 30 lakhs. That's what we see in the upcoming of 12 to 15 months.
- Suhrid Deorah:** And the current installed base is fully utilized more or less or there's enough room for those at an aggregate level.
- Mohit Saboo:** Yes. Currently you know, all the majority of the capacities are all running at capacities of more than 70% to 80%. We are running at almost 94%-95%, but the industry would be running at more than 80%, but it depends on plant to plant as to what are their operational levels and everything, and what are their efficient capacity utilization levels limit.
- Suhrid Deorah:** So, in this business, I'm assuming that you can only service like 200-300 kilometer radius from your plant, right? Is that fair assumption?
- Mohit Saboo:** Yes., 200-300 kilometers is the most ideal, but yes, we can go up to distance of 400-450 kilometers as well, but the most ideal is 200-300 Kms.
- Suhrid Deorah:** So, it's a very localized business. So, in your area, are you seeing massive additional capacities coming up in the west? Like in the Bombay, Ahmedabad region?
- Mohit Saboo:** There are a few upcoming capacities in Bombay, Ahmedabad region as well.
- Suhrid Deorah:** But you're not concerned that that could impact your sales or your pricing?
- Mohit Saboo:** It wouldn't impact much because the conversions from brick to block is also happening in that pace and also the construction activity is increased that much.
- Suhrid Deorah:** Okay. And is there a rule of thumb for the CAPEX for 1,00,000 cbm plant. I just wanted to understand the general number.
- Mohit Saboo:** So frankly speaking the machinery there's no thumb rule that way, but just for your brief understanding. So, for a plant of 5,00,000 cbm, you need a land of almost at least 8-9 acres. Secondly, if you install Chinese machinery, then the CAPEX is much different. And if you install German machinery, then the CAPEX is very different. But for us, for a 5,00,000 cbm capacity city plant, the Capex would be somewhere around INR 60 crore to INR 70 crore. For larger organizations, these CapEx end up going much higher. Like we have witness in the past that people like Hyderabad Industries or Ultra Tech had installed German plants and the capacity of the plant was around 3 lakh cubic meters and the Capex went up to almost 120 crore to 130 crore.
- Suhrid Deorah:** So, you are using Chinese machine and they are using German machine?
- Mohit Saboo:** We are buying Chinese machine and off lately the last plant that Hyderabad Industries put up, they installed Chinese machine.



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- Suhrid Deorah:** Okay. And I, wanted this, just the clarification. Could you just summarize the various plants you have and their capacities and the new plants coming up and their capacity? I think you mentioned it earlier, but I didn't catch.
- Mohit Saboo:** We have currently one unit near Umargaon, which is a near Vapi. And this is a capacity of 3,25,000 cubic meters per annum and other plant near Ahmedabad the capacity of this plant is around 2,50,000 cubic meters per annum. These two are the currently operational plants. And the other two plants that we are coming up with is one in Wada in Palghar district, which will be a 5,00,000 cubic capacity plant, but that will be in two phases. So, 2.5 Lakhs in the beginning, and 2.5 lakhs in phase two. And one more plan that we are coming up will be again in the vicinity of Ahmedabad which will be another 3,00,000 meter in the beginning, which is in the JV company with the SCG. And in that will be manufacturing AAC blocks, as well as panels.
- Suhrid Deorah:** You said 3,00,000 in phase one in the Ahmedabad plant, so what would be the phase two capacity be?
- Mohit Saboo:** So, we have right now just signed for 3,00,000, but the plant that we will be installing will be expandable to 500,000 cbm.
- Suhrid Deorah:** Okay. And could you repeat the timeline for Wada phase one that will be ready by December'22, right?
- Mohit Saboo:** Yes. Wada phase one by December'22, tentatively and phase two by June'23. And the JV company plant near Ahmedabad with SCG by June'23, phase one that is 3,00,000.
- Suhrid Deorah:** And you've got the money in place to do all of this Capex.
- Mohit Saboo:** Yes. So, we have got the bank finance done for the Wada plant, but majority of our share of Capex, like we have already land acquisition, placed orders for machineries given the advance to the supplier began commercial construction activities at the plant. So, all that is already done from our sources.
- Suhrid Deorah:** And you don't need to raise equity in the near future for any of these expansion plan?
- Mohit Saboo:** For these planned expansions the generations that we are getting from the company are sufficient enough, but we are open to raising equity as well, if there's some good equity partner willing to sit with us for a long period as we'll be coming up with more expansion, in North as well as South in the upcoming future.
- Moderator:** As there are no further questions, we have reached the end of question and answer session. I would now like to hand the conference over to Mr. Mohit Saboo for closing comments.
- Mohit Saboo:** Thank you everyone for attending the Q1FY23 investor call of the Bigbloc Construction Limited, as you have seen a phenomenal quarter with amazing growth, we intend to continue this growth in the upcoming future. Thank you so much.
- Moderator:** Thank you. On behalf of S-Ancial Technologies, that concludes this conference.