BIGBLOC CONSTRUCTION LIMITED
CIN NO. : L45200GJ2015PLC083577
908, 9th Floor, Rajhans Montessa, Dumas Road, Magdalla, Surat-395 007.
(Ph.) : +91-2463262, 2463263
E-mail : info@nxtbloc.in Visit us : www.nxtbloc.in

Date: 19/02/2025

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

Dear Sir/Madam,

Subject: Transcript of Earnings Call for Q3 FY25 financial results held on 17th February, 2025

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 Monday, 17th February, 2025 to discuss on Q3/9M FY 25 results and business outlook of the Company.

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

You are requested to take the above information on record.

Thanking you.

Yours Faithfully,
For BIGBLOC CONSTRUCTION LIMITED

NARAYAN SITARAM SABOO
Digitally signed by NARAYAN SITARAM SABOO
Date: 2025.02.19 11:33:43 +05'30'

BIGBLOC CONSTRUCTION LIMITED SURAT

Narayan Sitaram Saboo
Director
DIN: 00223324

Encl.: as above

Big Bloc Construction Limited
Q3 9 months FY '25 Earnings conference call

Event Date / Time: 17/02/2025, 12:00 Hrs.
Event Duration: 52 mins 19 secs

CORPORATE PARTICIPANTS:

Mr. Mohit Saboo
Director and Chief Financial Officer

Mr. Manish Saboo
Marketing & Strategy Head

Mr. Tushar Pendharkar
AVP - Equity Research

Q&A PARTICIPANTS:

1. **Bhavesh : Individual Investor**
2. **Deepak Pawar : Vasuki India Fund**
3. **Ranjith Kumar : Spark Capital**
4. **Shaurya Punyani : Arjav Partners**
5. **Adithya Verma : Synergy**
6. **Jai Shukla : Individual Investor**
7. **Manish Kema : Individual Investor**

Moderator

Ladies and gentlemen, good day, and welcome to the Bigbloc Construction Limited Q3 9 months FY '25 earnings conference call hosted by Ventura Securities 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 the conference call please signal an operator by pressing * and then 0 on your touchtone phone. Please note that this conference is being recorded.

Before we begin, I would like to point out that this conference call may contain forward looking statements about the company, which are based on the belief, opinions and expectations of the company as on date of this call. These statements do not guarantee the future performance of the company, and it may involve risks and uncertainties that are difficult to predict.

I would now like to hand over the call to Tushar from Ventura Securities. Thank you and over to you, Tushar.

Tushar Pendharkar

Thank you. Good day, ladies and gentlemen. On behalf of Ventura Securities Limited, I welcome you all to Bigbloc Construction Limited Q3 and 9 months FY '25 earnings conference call.

The company is today represented by Mr. Mohit Saboo, Director and CFO; and Mr. Manish Saboo, Marketing and Strategy Head.

I would now like to hand over the call to Mr. Mohit Saboo for his opening remarks. Thank you and over to you, sir.

Mohit Saboo

Good morning. Thank you and good afternoon, everyone. It is a good pleasure to welcome you all at this earnings conference call for the first quarter and 9 months ended of the financial year 2025. Let me start by giving you a brief overview of the financial performance for the third quarter and 9 months ended of financial year 2025, followed by some of the operational highlights for the period under review.

For the third quarter under review, the revenue from operations was INR 57 crores, which declined by approximately 8% YoY and rose by around 10% QoQ. The operating EBITDA was reported at around INR 6 crores, reflecting a decline of approximately 62% YoY and 21% QoQ. The EBITDA margin stood at around 10.74% for the third quarter. The net profit after tax was INR 30 lakh approximately, which decreased by around 97% YoY basis and rose by 50% QoQ.

The performance for the quarter was primarily impacted by lower demand with the festival season in Diwali and the state elections in Maharashtra. For the 9 months under review, the operating revenue stood at INR 260 crore, which declined by around 9% year-on-year.

EBITDA was reported at INR 24 crores, representing a decline of approximately 46% year-on-year. EBITDA margin stood at INR around 14.68% for the period. The net profit after tax was around INR 3.5 crores, which was lower by 84% year-on-year. On the operational front, the company's sales volume for the quarter increased marginally by 2% on YoY basis and approximately 12% on a QoQ basis.

The consolidated capacity utilization of the three running plants was around 53%, which was lower due to the gradual scale up of Umargaon Wadi plant, which has recently completed its upgradation and the lower utilization for the TM cement and BigBloc Construction Technologies private limited plant, which has recently started production, which also resulted in a loss of around INR 5 crores at the subsidiary level for the quarter under review.

On the CapEx front, the technology accreditation for Umargaon plant stands completed as on 16 October 2024. The plant has commenced commercial operations, which will be scaled up gradually. The plant's capacity utilization for the third quarter was around 41%.
We have also completed Phase II of the Vada plant expansion. With this, our AAC block manufacturing capacity doubled to 5 lakh cubic meters per annum at this plant.

The new product launched by Siam Cement and BigBloc Construction under the brand name Smart Build Wall by Next Bloc have recently received product test certificates from IIT as well as ARAI.

BigBloc is the only company in India which can supply 20 feet wall, which was previously being imported from other countries. Additionally, we have expanded our product line in construction chemicals and will soon be starting block jointing mortar, ready mix plaster and tile adhesive manufacturing, which are designed to enhance construction efficiency and durability.

We have introduced NxtFix tile adhesive along with its trusted brands, NXTFIX and NXTPLAST, ensuring superior bonding, strength and performance for diverse construction needs.

I am also happy to inform that the company has secured INR 4.5 crores work order from Tata Project Limited for the supply and installation of 2 lakh square feet of 100 ml AAC panels at Micron, India's semiconductor facility in Sanand, Gujarat. This marks the addition of Tata Project Limited as a new customer further expanding the company's client portfolio.

We believe this customer and this order and the semiconductor industry offers enormous future growth opportunities for our company. Lastly, I'm delighted to share that our commitment to sustainability has reached new heights. We will install our 800-kilowatt rooftop solar power project in ourplant at StarBigBloc.

Additionally, a 1,350-kilowatt solar rooftop system will be installed at our newly established factory under the joint venture with Siam Cement and BigBloc. With these new additions, our total solar power capacity will be reaching approximately 3,475 kilowatts across the company and its subsidiaries, reinforcing our submission to integrate renewable energy solutions into our operations.

During the quarter, of the total power requirement for the company, 16% came from renewable sources of energy. And going ahead, we intend to reach this level to almost 35% to 40%.

With that, I now open the floor to the question-and-answer session. Thank you.

Moderator

Thank you, sir. Ladies and gentlemen, we will now begin the question-and-answer session. If we have a question please press * and 1 on your telephone keypad and wait for your turn to ask the question. If you would like to withdraw your request you may do so by pressing * and 1 again. We will wait for a moment while the question queue assembles.

The first question comes from Bhavesh an Individual Investor. Please go ahead.

Bhavesh

Sir, we are entering construction chemicals, but as I understand, there are a lot of already established players, although the market is growing. So, can you please explain the rationale for entering this segment?

Mohit Saboo

Thank you for the question, Mr. Bhavesh. So just to highlight, we have already been doing some trading of construction chemicals like the block jointing mortar, which is NXFIX as well as the ready-mix plaster, which is NXP plast since the last two to three years. And since we have now boosted our volumes, almost 10% to 15% of our turnover are coming up from these construction chemicals with a direct to venture into manufacturing of these products.

And at the same point of time, in the same setup, we will be also able to manufacture tile adhesive, which is another new product that we are introducing. And looking at improving our realization and increasing our sales for these products, we decided to enter into manufacturing of this product because the customer, the target market for these products happens to be the same as which happens to be for our AAC Bloc division.

Bhavesh

Yes. But sir, can you explain in terms of what are the prospects, what is the market size and how fast is it growing?

Mohit Saboo

So earlier, people used to follow the traditional method of making mixing sand cement and using it for joining the blocks or tiles or also the bricks. Now people have started using a bagged form of mortar. Similarly, for plaster also, people have started using the readymade version. And the market has been growing at least around 12% to 15%. And it gives us a value addition in that aspect that the customer does not need to go to different smaller manufacturers of construction chemicals.

He'll be able to procure from the similar supplier of blocks the same product of blocks joining mortar, tile adhesive ready to plaster everything.

Bhavesh

Right. Got it. And so lastly, in terms of market in Maharashtra, I think we had seen a slowdown in first half of FY '25. But are we seeing a pickup? And if we are seeing a pickup, is it mainly from running quarter?

Mohit Saboo

So yes, Maharashtra market was a little bit slowdown in the last Q3 because of the general elections ongoing in Maharashtra. And post the election results from mid-December onwards, we have started seeing a decent pickup in Maharashtra. And I think going ahead, the Maharashtra demand will keep on growing. Bombay also is coming up with lots of different infrastructure projects, which are also helping in increasing the requirement for housing. And at the same point of time, the projects like Navi Mumbai Airport will help growth in that region as well as Puna, IT and everything has been growing phenomenally. So, we see quite a promise from Maharashtra region.

Moderator

Next question comes from Deepak Pawar from Vasuki India Fund. Please go ahead.

Deepak Pawar

Hi, good afternoon. Am I audible?

Mohit Saboo

Yes, sir. You are audible.

Deepak Pawar

My question is regarding what are our debt repayment plans as we have already taken up debt and we have already gone for the CapEx....

Mohit Saboo

Sorry, to interrupt but your voice is not very clear.

Deepak Pawar

Hello?

Mohit Saboo

Yes, please.

Deepak Pawar

Yes, I wanted to know regarding what is our debt repayment plan?

Mohit Saboo

So, regarding our debt repayment plan, I think as on 31 December 2024, our debt equity ratio will be in the range of almost 1.15:1 or 1.2:1. And we have done recently completed majorly all of our expenses apart from the rooftop solar, which are just sufficient on their own. And going forward, as the capacity utilization keeps on increasing, our debt level will keep on going down as our volumes as well as our margins will keep on improving.

Deepak Pawar

Okay. So, can we expect debt repayment in the next two to three years of time span?

Mohit Saboo

So honestly, our target is not to repay the debt. We are a growing company, and we'll be coming up with more expansions in the next couple of quarters as well. We have recently acquired one land in Central India near Indore, where we'll be putting up one more AAC blockmanufacturing setup. And on a long-term basis, I think a debt equity ratio in the range of one:1 to 1.5:1 is somewhat, I think, should be quite comfortable as the industry also has been growing significantly over the last 3 to 4 years.

Deepak Pawar

Okay. So, my next question is regarding the CapEx itself. As you said, you are currently venturing into Indore?

Mohit Saboo

That's right.

Deepak Pawar

Okay. Any other region because last time I remembered, you were talking about South India. So any progress on those part?

Mohit Saboo

I think last time we had talked about coming up with manufacturing set up in two different locations, one in Central India and other in Southern India. So Central India land near Indore has recently been acquired just a day back or so. And Southern India also, we are looking at the land opportunities, and we will hopefully be finalizing the same in the upcoming couple of quarters.

Deepak Pawar

Okay. On the second my next question would be, what is the ratio where we supply in the reality construction and infra construction? Is there any ratio available how much we supply to?

Mohit Saboo

So almost 65% to 70% of our material is going into commercial as well as real estate business. Almost 15% to 20% of the material is going into Reliance or Adani, L&T or Prawai, etc. And 10% material is going into retail business sales -- retail sales.

Deepak Pawar

Okay. My next question is on the chemical front. This chemical whatever we will be manufacturing, will it be B2B or B2C?

Mohit Saboo

So, this will be mainly B2B again. We have been doing a lot of trading of these substitution chemicals in the last two to three years. And we will try to develop a small vertical of B2C also in the smaller towns and villages. We'll be manufacturing these on our own. We'll be able to get better realizations and better sales through those networks as well. As I mentioned, we have a retail network for blocks. We'll be using that network for the B2C details as well.

Deepak Pawar

So, in the construction chemical segment, what would be margins EBITDA margins that we can expect?

Mohit Saboo

I think similar margins of almost 18% to 22% is something what we are seeing in the Construction Chemicals space. Since even in the trading division, we have been witnessing almost 10% to 12% margin for the construction chemicals.

Deepak Pawar

Okay. My last question would be on the carbon credits. Generally, we sell these carbon credits for once in a whole year, right. In one quarter we get this credit sold and get included in the revenues. So which month we do that and what would be the revenue from the carbon credits? It's any ballpark figure for this year.

Mohit Saboo

So in the current year, so far no carbon credits have been sold. We are waiting for the issuance of carbon credits from the audit authorities of VERA. And once the credits are issued, we see inquire with the market, inquire with the buyers as to what the current running prices are. And then probably we'll take a call as to whether to sell them or to hold on to them for better realization.

Moderator

Next question comes from Ranjith Kumar from Spark Capital. Please go ahead.

Ranjith Kumar

Hello. Hi. Am I audible?

Mohit Saboo

Yes, please.

Ranjith Kumar

Yes. Good afternoon. So, my question is on the raw material front. So, I've had access to look at the raw material composition of few other AAC block players in the market, the organized players. I think BigBloc, in particular, uses more ash content in terms of volume, right, when compared to the other players who use a bit of more cement, quicklime, etcetera. So, I was just wondering what the impact of using more ash content in AAC blocks would be in terms of compression strength or any other mechanical structure property?

Because from whatever I understand, increase in the ash content actually increases the porosity of the brick, resulting in a lower strength. So, I was sort of wondering like what kind of grade that you sell to your customers? Would it be grade A or grade B or grade C? That is one question.

Second question is from where do you actually procure cement and quicklime for your bricks?

Mohit Saboo

So, coming down to your first question for the ash content. So, I think from my understanding, across the entire AAC block industry, almost entire industry would be using ash in the ratio of 60% to 70%, 65% being the industry average. Someone might be at 63%, someone might be a 67%, depending on their product mix, et cetera. And in terms of the compressive strength or the product rate, so we have been supplying products as per the client requirements and have been having the few other feed orders from various customers, the likes of L&T, Reliance, Adani, Capacite Intra, Oberoi, Sunteck,--and many others.

So at most of these sites, the blocks are required in Grade A block, which is a Grade 1 block, which is requiring a compressive strength of four plus whereas for certain specific customers where the specific requirement is of 5 plus compressive strength, the likes of Ambuja cement and a few others, which I cannot name right now, we are also making specific sands material of 5% where the cement or the -- requirement goes up and ash requirement goes down.

But yes, we have tried to maintain our raw material mix in a way that we give customer satisfaction the first priority and at the same point of time, keeping our costing as the newest possible.

In terms of the veracity of cement and lime, so lime has been procured at all the AAC block units from Rajasthan. There are various different manufacturers of lime, quick lime powder which we have been using. We have been sourcing from them since the last decade or so. The quantities from different suppliers keep on changing. We are running four different plants and our requirements are quite high.

And in terms of cement, again, the regions where we are located, there is evidence of cement available from the client. The plant of cement for us is one of Burger cement. And various others include JK Lakshmi Super as well as Chettinad cement or Truco, many others.

Moderator

Next question comes from Shariah Shaurya Punyani from Arjav Partners. Please go ahead.

Shaurya Punyani

Hi. Am I audible?

Mohit Saboo

Yes, you are audible. Please go ahead.

Shaurya Punyani

Sir, by when we can expect margins to go to our previous levels?

Mohit Saboo

So for the last quarter, margins have been in the range of almost 15% EBITDA, but that also includes the lower utilization of the new JV plant where we have introduced the Alc already made, which is the only product update available for a height of up to 20 feet. And this plant has been running at substandard utilization because in the last quarter sales, we have got some certificates from IIB as well as ARAI for the compressive strength as well as fire installation and noise level and all those things. And I think it will take about a couple of quarters since this plant comes up to utilization levels going up to 50%, 60% upwards. And if you look at our earlier plans, the three older plans that we have, those plans, the pattern has been in the range of almost 80% to 20%.

Shaurya Punyani

Okay. And so we will be able to reach our last year's revenue this year like INR 200 crores?

Mohit Saboo

No, last year also said that the lower was approximately around INR $240 crores. The realizations have gone down in the current year because of overall raw material price decrease as well as a little bit slowdown in the demand as well across different regions because of general election in the first quarter, the Maharashtra elections in the third quarter. So the revenues might be a little lower than the last financial year.

Shaurya Punyani

Okay. And what kind of growth do you expect after '25, in the next two years? Like what kind of growth are we expecting given that we have a new business also coming up?

Mohit Saboo

So, from first quarter, the turnover had increased in the second quarter, and we have seen another 13% growth in the third quarter. So going ahead on a QoQ basis, I think our capital utilization and revenue should keep on increasing, and we should be able to reach almost 70% plus utilization hopefully in the next three to four quarters.

Moderator

Thank you. Next question comes from Adithya Varma from Synergy. Please go ahead.

Adithya Varma

So, my question is regarding the profit guidance. So, what is your profit guidance for the next quarter and the FY2026? And also, sir, I see in the balance sheet the interest is greatly reducing our profit. So, is there any plan or do you plan to maintain the same debt level and the interest level?

Mohit Saboo

So, in terms of the profit margin, capital utilization is at around 53%. And QoQ, we are concentrating on increasing the utilization levels currently. And as utilization levels keep on increasing, our profit margins will keep on improving. Coming down to the finance cost. So the finance cost has increased because we have recently expanded as well and we set up the across -- for all our units. Umargam plant where we'll be generating lower rejection as well as the manpower cost has gone down. So looking at those aspects, maybe the finance cost increase, but overall, we are concentrating on increasing our company's profitability on the long term level.

Moderator

Next question comes from Jai Shukla an Individual Investor. Please go ahead.

Jai Shukla

Hi sir...

Moderator

Mr. Jai your voice is not audible.

Jai Shukla

Okay. Is it better now...?

Moderator

Yes. Please go ahead.

Jai Shukla

So, my question is with regards to our current revenue for FY 2025 in the current time, we see that the overall volume levels have gone down due to maybe lower capacity utilization and maintenance work, which is going on at the plant. However, we also see that overall number of the revenue has still come down. So, is there any realization issues, which we face from the customer's end?

Mohit Saboo

So, as you see, the volume levels in the first two quarters, the volume were down. But in the third quarter, the volume has been a little bit on the higher side as compared to Q3 FY '24. Coming down to the realization point of view, we have the realization in the current year as being a little bit on the lower side, because, one, all the raw material costs have also been going down and the cement prices, I think, in the last quarter had been just almost four- or five-year lows. And looking at that, we also had to pass on some pricing benefits to the customers. And at the same point of time, because of a little bit of a slower demand growth and competition, the realization had also come down in the last quarter.

Jai Shukla

Okay. And where do we see the realization going from now onwards?

Mohit Saboo

So currently, we are just concentrating on increasing our utilization levels. So, for last quarter, our utilization was in the range of almost 53%, 54%. Firstly, we want to make the realization of also 65%, 70% upwards, and then we will be concentrating on realization growth.

Jai Shukla

Okay. And in percentage terms, what would be the impact of the lower realization roughly?

Mohit Saboo

So, our earlier EBITDA margins were in the range of about 23% to 24%, but in the last quarter it was in the range of almost 18%, 19%. So, I think our EBITDA was 4% to 5% in terms of realization. And the other major realization has been because of lower raw material costs that have already been in the effort.

Jai Shukla

Okay. And sir, recently we have seen that there are some rate changes from GST perspective. So what would be the overall financial impact on our current inventory levels or the sales which we are planning to make going forward?

Mohit Saboo

So honestly, there has not been any rate change. Just a clarification, it has been issued by the GST Council in their meeting on December 20, which has been recently announced. And there was an ambiguity going on as to what will be the GST rate on fly ash based AAC block. So there are two types of AAC blocks. One is tank based and the other is fly-ash based. We have been manufacturing both. Tank based, we have been clearing at a rate of 18% and the fly-ash base, we have been clearing at a rate of 12%. And recently, the clarification has been issued that the fly-ash base AAC block with the content of more than 50% of fly-ash will be classified as the 12% GST because the DTI, which is the authority from the Government of India, which is evaluating GST rates for different products, has been trying to identify this issue.

And we have gone ahead with the GST submission and now they have issued that clarification that will be tax eligible for them only. So, there is no difference or any impact. It's just a clarification which has been issued for us.

Jai Shukla

Okay. And so just a connecting question with the realization part. Part. So, is there any accumulation of inventory along with some lower capacity utilizations, which we are currently having at either of our clients? Agenda inventory is yet to be sold or is still moving as compared to the previous year or previous quarter?

Mohit Saboo

So, this is a bulky production and inventory is a cheaper measuring at our plant in a way that we have to do four days of inventory that are applied for finished goods as well as 8 to 10 days for raw materials. Raw materials, we increase the inventories before monsoon season ash as well as coal so that we don't have to bear the transportation losses because of extra moisture content in both of those materials. But because of the bulkiness of the product, we cannot increase the finished goods inventory beyond a certain day because the storage fixtures are made at the factory facilities...

Moderator

Hello sir.

Jai Shukla

Understood sir. Sir can you please....

Moderator

Mr. Jai, please go ahead with your question.

Jai Shukla

Yeah. So, sir, my next question would be with regards to the market share of organized players vis-a-vis the unorganized players for the AAC block manufacturing, especially in the West Region?

Mohit Saboo

So, in terms of Western and any other market share as of today, in terms -- you cannot differentiate directly between organized and unorganized because post GST, the unorganized in that way and who has been dealing into cash and all is almost finished.
And if we count that way, the organized and unorganized leads to organized are the ones who are learning multiple plants and having different setups, whereas the unorganized being the single plant or the smaller plant with a capacity of maybe INR 50,000 to INR 190 lakh cubic meters per annum. So, I think that would be today at approximately 50-50 ratio sort of.

Jai Shukla

Okay. And what would be the pricing difference between the -- between these two categories?

Mohit Saboo

So, I think the organized players, because of their timely supply, the quantity of materials that they offer, they are able to command a premium of anywhere between 3% to 6%, 7% as compared to the organization of the smaller players.

Moderator

We have a follow-up question from Ranjith Kumar from Spark Capital. Please go ahead.

Ranjith Kumar

Yes. Thank you. So earlier, following up to my earlier question on the different grades of AAC block that you sell, obviously, you said that you will be selling all different grades depending on what the customer wants. So, what would be your percentage of Grade A, Grade 1 not Grade 2, Grade 3? And, in terms of, I mean, like, what is the percentage of breakage level that you see in your plants, in terms of the overall volume of bricks that you make? And how do you, sell the ones which are, you know, kind of broken? Or would it be at 80% of the realization or 70% of the realization or something like that? Secondly, the okay, I'll ask my next question after you answer this.

Mohit Saboo

So, in terms of the categorization of Grade 1, so there are three types of grades which I can categorize for you. One is a 5 plus 10 which is made for specific customers, the likes of Home-joy and a few others. And I think those volumes are in the range of almost 3% to 5%. The other is Grade 1, which is 4 plus 10, which is almost 85% to 90% of the volume that we are totally manufacturing. And the third is the Grade 2 strength, which is the 3 plus 10, which is almost 5% to 10% of the total volumes of our sales. And these are the villages where there is currently awareness being developed for use of AAC blocks, the first-time users, et cetera.

In terms of the rejection level at the plant, so the new plants that are upgraded, that means the JV plant, cement as well as the Wada plant as well as the Umargaon plant, which has been upgraded, we are seeing reduction levels in which is less than 2%, maybe 1% to 1.5%. And the StarBloc plant is running at rejection level of almost around 4% to 5%, where we'll be taking up the upgradation hopefully in the next quarter or so to bring down the rejection level at par with other plants of almost 1% to 1.5%. And the next step material that rubble that we call is also being sold from these clients in a way that we generate almost raw material costs or 75% of the raw material costs from the field of that rubble.

Ranjith Kumar

Okay. Sure. So also, another question. So, you're also selling sand-based bricks, right? So, what is the content of sand in that? And I think all the international ASE players predominantly use sand based, not ash based. Right? And what's the sand-based content in your sand bricks? And what is the percentage of sand bricks as a sand-based bricks in terms of volume of your overall thing? And what's the realization difference between sand based AAC brick versus ash based AAC brick?

Mohit Saboo

So yes, we have been making sand based as well as ash based AAC blocks. Ahmadabad and Baroda markets, so majorly North Gujrat region is a place where 10 major AAC blocks are being used by various builders. And the same is a more premium and an expensive product, which also comes under 80% GST. The effective cost of the product goes up drastically.

In terms of the content of the product, almost instead of fly ash, which is around 65%, 67%, 68%, the annual used to the tune of 60% to 65%. There is other raw materials which include cement lime, aluminum powder, gypsum, remains the same. So more or less, it's more finer product as compared to fly ash because ash is a waste from the thermal power plant where a sand has used finished product which is being used.

Secondly, in terms of the share of the percentage, so in terms of the total volume of our sales, almost 8% is sand based. Rest, 85%, 80% is fly-ash based because the markets like Ahmedabad and Baroda are the only market that sand based is sold. Rest of the other markets which include MP, Maharashtra, Gujarat, South Gujarat, only fly-ash base AAC blocks are sold.

Coming down to that question of the international market, players, majorly in international markets, the likes of Europe and others, majorly sand based block they're only being made, because they don't have enough availability of fly-ash because those are not countries which are predominant dependent on coal based thermal power plant. And because of that, they use that for manufacturing of AAC blocks. India still being a coal dominant economy where 65% of the power is generated using coal based thermal power plant.

The availability of fly-ash is much easy. And it's also almost a bond ash, which is waste ash being dumped in the area surrounding the thermal power plant. It's still free of cost. So, looking at who the best price, the AAC blocks are the major shareholder share content in the AAC block space in the country.

Ranjith Kumar

And one more question. I might have missed it during the initial presentation probably. So, you're also doing panel, walls, which are much larger in terms of surface area when compared to AAC blocks. So, these are sold at a higher realization. So how do you see the traction going in in terms of the panels themselves versus AAC blocks? And would you say that there'll be a shift to AAC blocks first and then probably to a more premium product like panel? Or how do you see the movement happening as far as customer demand is concerned for AAC?

Mohit Saboo

So, the AAC panels that we have introduced is a new product in the country, and more or less we are the first mover in this space. And we are the only players who are providing a wall panel up to a height of 20 feet. In terms of the market acceptability, it is taking a little bit more time. But with the closure of the recent order from Tata project, we are quite confident and we are in talks with lots of other large corporates for their upcoming manufacturing facilities, be it data centers or be it semiconductor, cables, electronics, et cetera, manufacturing facilities.

Coming down to your point of market acceptability and conversion from AAC block, so it's not necessarily that only the AAC block customers will be shifting towards AAC panels, but there are lots of other different products, the likes of damaged panels or bison panels, which is a category where we are looking at replacing those products with AAC panels because those products, the likes of Python panels or sandwich panels have a fire rating of almost 90 to 120 minutes, whereas our AAC panels have a fire rating of four plus hours, which is certified by IIT, which is the topmost institution in the country.

Secondly, the noise installation is also better than those of the desktop panels. And thirdly, these panels, which are the Bison panels or sandwich panels, they have a height restriction of almost 3 to 3.2 meter, whereas we are able to provide single panel with a height of almost six meters. So, looking at these unique advantages of AAC panels, we are quite confident of the growth of this product going ahead.

Ranjith Kumar

Sure. And one more final question. So how do you see competition from other kinds of bricks, right, like concrete bricks, hollow bricks and another there's also another technology through which you make bricks, which I'm not able to remember. But how do you see that competing with AAC blocks? Obviously, those other bricks are far better in terms of quality, price, et cetera, versus red bricks or clay bricks. But how do they compare with AAC blocks? And how do you see completion from those kinds of bricks?

Mohit Saboo

So AAC Blocks has been growing a lot of traction and are gaining more awareness, acceptivity in the market. But even after all these years, the share of AAC blocks in the warning material is around 10, 11 percentage, whereas that of Red Brick is still at around 80 percentage. And other materials, which includes different types of panels or concrete blocks or Mavena or other technologies, would be having a share of almost 6, 7 percentage. So, there's a huge scope of growth by convergence of red bricks to AAC blocks, firstly.

So, the product will feature still looks quite promising the last quarter. And once a person from red brick will not directly move to concrete blocks or different sorts of panels, because for multistory or residential, the unique characteristics of the issue of being the density or the light weight is a huge advantage. And without that, the high rise is not possible.

Moderator

We have a follow-up question from Jai Shukla, an Individual Investor. Please go ahead.

Jai Shukla

Hi, sir. So recently in the quarter three, we have also seen a reduction in volumes for our other cement manufacturers as well. So, I believe the flow of demand would go hand in hand for cement as well as our AAC blocks. Especially in the West Region, the fall in demand was roughly around 5% to 7%. So, can you break down your revenue or the product mix which is used for infra use, commercial use and housing purpose?

Mohit Saboo

So yes, you're right. In last quarter, I think the cement demand in witness a little slowdown. And as I mentioned, apart from the demand slowdown, also the cement prices the last quarter had almost 4 to 5 years low because of which our realization had also gone down because we had to pass on the benefits to the customer.

Coming down, we are very poor, the use of the product. So, as I mentioned earlier, almost 70% to 75% of the product is being sold for residential as well as commercial properties, the housing or redevelopment or various other segments. Almost 15% of the product is being sold for industrial users, which include various factories coming up, the likes of ArcelorMittal fond steel as well as Reliance Steel, lines of some factories, Adani coming up with a solar factory or glass factory, Adani coming up with a solar factory. And certain products are also going for warehousing division. And almost 5% of the product is also for retail sales, which is being sold on a retail level for an individual good buyer to a retailer.

Jai Shukla

Got it. And so, what would be your guidance for revenue and EBITDA margin for FY 2026 and FY 2027? Because I believe we had earlier guided for doubling our revenue in a couple of years. So, will that still remain intact or will that be subject to change?

Mohit Saboo

So currently, we are just concentrating on increasing our utilizations on a QoQ basis. And as in realizations keep on improving, our revenues will also gradually keep on growing. And yes, we'll be seeing a substantial jump in our top line in the next FY.

Jai Shukla

Okay. Do we have any number in mind for the capitalization or the revenue part?

Mohit Saboo

So, I think we should see at least a 5% to 10% jump in our capitalization from the current levels of 53%, but then we intend to be 65% to 70% in the next FY.

Jai Shukla

Okay, got it. And, sir, as you correctly told and as part of the, you know, media release for acquisition of land near Indore in Madhya Pradesh. So, what are our plans in terms of additional capacity which we intend to do in the coming period? And approximately by when we expect the plan to be commissioned, FY 2027 or even later than that?

Mohit Saboo

So currently, we have just acquired the land. We'll be doing the necessary documentation procedure for conversion of the land to raw land and industrial as well as necessary permissions from the government department. And in the next couple of years, we'll be looking at increasing our installed capacity from 1.3 million cubic meters to 2.3 million to 2.5 million cubic meters.

Jai Shukla

Okay. And that would mean doubling your existing capacity, right?

Mohit Saboo

Yes, approximately. Almost a growth of 80 to 100 percentage.

Jai Shukla

Okay. And that we are targeting to achieve this buying?

Mohit Saboo

Hopefully in the next couple of years.

Moderator

Next question comes from Manish Kema, an Individual Investor. Please go ahead.

Manish Kema

So, I have a couple of questions. With respect to the joint venture, what optimum capacity do we think we can breakeven? Because I guess the company has been reporting losses from the past three quarters and quite understandably because, I mean, we are, what you say, not working I mean, it's a new business. The company is not provided for post-employment benefits and other long term employee benefits as per NDA 20. And had the company done that, the profits would have reduced. So wanted to understand as to why is there a deviation. So, these are my two questions.

Mohit Saboo

So, coming down to your question for the JV capitalization, we have been running at cello power capital utilization. And I think we should be able to break even at a capitalization of almost 45% to 60% for the JV company when we are able to sell almost increase our volume per panel sales. And in terms of the employee benefit, so we have started doing that for all the other companies with Blochead and subsidiary. The JV company considered and started last year, so I believe it is listed out. But in the current year, we will be accounting for the sale as required.

Manish Kema

So, was the auditor observation only with respect to the JV company?

Mohit Saboo

Yes, because for all other companies, we have been running for the necessary post-employment benefits as required on a compliance basis.

Moderator

We have a follow-up question from Jai Shukla, an Individual Investor. Please go ahead.

Jai Shukla

So, sir, what would be the impact on our bottom line? When we say we would be providing for the employee benefits in the JV entity?

Mohit Saboo

So, we have provided for all other entities, maybe it's list of JV entity. But I don't think it will be a huge impact because most of the employees in the JV company are fairly new and would not impact them materially on the bottom line.

Jai Shukla

Okay. So, it will be a rounding error if you can say that?

Mohit Saboo

Yes. We will be providing for the same in the current quarter if it's listed out. I'll just stick with the accounts team for the same.

Jai Shukla

Okay, got it. And sir, when we say that we are seeing higher demand or the finals as well as AAC blocks from industrial usage or building factories, et cetera, so can we say that the 15% revenue mix which we have from the industrial side is might see a rise in the coming future?

Mohit Saboo

Yes, definitely. We are so earlier, if I talk about some of the year, that used to have to be 50% or type of the quarter from industrial sales. It's just one of the almost 15%, 17% in the last couple of quarters. And yet, with upcoming growth of headwind of manufacturing in the country, I feel we will be able to increase the share of sales in our company.

Jai Shukla

Okay. And would our margins improve when we sell it to the for industrial development or would it be better in case if we sell it to the regular residential or commercial builders?

Mohit Saboo

So, for AAC blocks, the margins will remain almost at the same level, but for AAC panels, the margins are comparatively better for selling to the industrial and also segment as well.

Jai Shukla

Understood. And sir, just a follow-up question for the revenue stream. Are we seeing higher revenue numbers or higher demand as compared to the previous year post December quarter, let us say, from January onwards?

Mohit Saboo

So, the remark aspect has been somewhat quarter since January quarter the Maharashtra election have also been over and now this is almost a big period for construction activities.

Jai Shukla

Okay, got it. We are targeting to increase capital utilization by another 5% to 10% in the coming quarter. So, by then, will the new....

Mohit Saboo

Sorry you are not audible.

Jai Shukla

Okay. Is it better now?

Mohit Saboo

Hello?

Jai Shukla

Yeah. Is it better now?

Mohit Saboo

There's a lot of disturbance or breaking your voice somehow.

Moderator

Sir, your voice is not audible.

Jai Shukla

Just give me a moment. It should be better.

Moderator

Please go ahead.

Jai Shukla

Yeah. So, my point was when we say we are planning to increase the coming quarters.
When are we targeting to utilize the new Umargaon facility to the 80%, 85%....

Moderator

Mr. Jai, I'm sorry to interrupt. Your voice is not clear.

Now I hand over the floor to Mr. Mohit Saboo for closing comments.

Mohit Saboo

Thank you, everyone, for participating in this earnings con-call. I hope we were able to answer any 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. Have a good day. Bye.

Moderator

Thank you, sir. Ladies and gentlemen, this concludes the conference call for today. Thank you for your participation. You may now disconnect your lines. Thank you, and have a good day.

Note:

1. This document has been edited to improve readability
2. Blanks in this transcript represent inaudible or incomprehensible words.