



Aro granite industries ltd.

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Dear Sir,

Please find enclosed herewith a copy of the transcript of the conference call with the investors held on 16.05.2019

Thanking You

Yours faithfully
For Aro granite industries ltd.

Company Secretary

Encl.: a/a

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“ARO Granite Industries Limited Q4 FY2019 Results Conference Call”

May 16, 2019



ANALYST:

MR. GAURAV SUD - KANAV CAPITAL

MANAGEMENT:

**MR. SUNIL KUMAR ARORA - MANAGING DIRECTOR -
ARO GRANITE INDUSTRIES LIMITED**

**MR. SAHIL ARORA – WHOLE TIME DIRECTOR - ARO
GRANITE INDUSTRIES LIMITED**

**MR. S. BALAJI – CHIEF FINANCIAL OFFICER - ARO
GRANITE INDUSTRIES LIMITED**

**MR. SABYASACHI PANIGRAHI - COMPANY SECRETARY -
ARO GRANITE INDUSTRIES LIMITED**



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Moderator: Good day ladies and gentlemen and welcome to ARO Granite Industries Q4 FY2019 Results Conference Call hosted by Kanav Capital Advisors. 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 “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Gaurav Sud from Kanav Capital Advisors. Thank you and over to you Sir!

Gaurav Sud: Thanks Mallika. Welcome everyone and thanks for joining this Q4 FY2019 earnings call for ARO Granite Industries. The results and investor update have been mailed to you and is also available on the stock exchange. In case anyone does not have a copy of the press release, please do write to us and we will be happy to send it over to you.

To take us through the results of this quarter and answer your questions, we have today with us, Mr. Sunil Kumar Arora, Managing Director, Mr. Sahil Arora, Whole Time Director, Mr. S. Balaji, CFO and Mr. Sabyasachi Panigrahi, Company Secretary. We will be starting the call with a brief overview of the company’s performance and then we will follow up with a Q&A session.

I would like to remind you all that everything said on this call that reflects any outlook for the future, which can be construed as a forward-looking statement must be viewed in conjunction with uncertainties and risks that they face. These uncertainties and risks are included but not limited to what we have mentioned in the prospectus filed with SEBI and subsequent annual reports, which you will find on our website. With that said, I now turnover the call to Mr. Sahil Arora. Over to you Sahil!

Sahil Arora: Thank you Gaurav. The management of ARO Granite Industries Limited welcomes you to year-end investor concall. Thank you for taking out time for attending this call. The FY2019 has been mixed year for the company while our sales declined from Rs.201 Crores to Rs.172 Crores a decrease of 14.5%, profit after tax increased by 729% from Rs.1.17 Crores to Rs.9.71 Crores. This changed drive by an important favour that we have done in our business model over the past three years.

We have now started focusing on customers and geographies where we can get a certain minimum margin on the products. In the process, we have stopped taking orders for blocks and shades where we are not operative. While the immediate impact of this decision has been a reduction in sales value, we aim to grow our sales again by opening a new plant in Rajasthan. Overall Indian granite exports are facing stiff competition from Engineered Stone. Furthermore Quartz, granite tiles and porcelain slabs are getting popular and taking market share of natural stones. This in turn is impacting a realization of granite slabs across the globe. While granite



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slabs come in various colors, designs, hues, which are unique to each quarries, the demand has shifted to white, black and grey shades only.

As a strategy we have decided to focus on faster moving shades and accordingly have to rework a raw block sourcing strategy. By reducing some colors from our portfolio, we have to led go some exclusive customers so that we can focus on higher margin products only. Market price had been slowly dipping over previous years and in turn, we have been accepting our selling and market prices to maintain certain market share in competitive market especially in the Middle East. These price sensitive high-volume markets have been driving force in our growth in the previous years. We took an active decision in the last year to reduce our share in these markets which also means a lower sales value.

Raw material sourcing problem has further aggravated during the year, many quarries have closed down due to lack of environmental clearance in Tamil Nadu and Karnataka. Earlier all these mines did not have EC, but it was not a requirement. Now the enforcement is much more strict and has become a major issue for quarry owners in South India. During the year, our focus has been on cost control measures by reducing overheads. This can be seen in our profitability. The poor raw material availability in Tamil Nadu and Karnataka has worsened over the last two years. Under environmental clearance, if a quarry has crossed the quantum of production as per the maximum stated in this mining plant, they have to cease production for the year. We can file for a revised mining plan to increase production, but there are delays in getting this approval. These under the state purview states like Rajasthan, Andhra and Telangana as far ahead as compared Tamil Nadu and Karnataka with better procederes already in place.

Rajasthan in turn is emerging as a big hub for granite sourcing and we also have increased our sourcing of granite blocks from Rajasthan over the last few years. With that in mind in order to reduce our transport cost, we decided to setup a plant in Rajasthan. A plant which is being located in Mahindra World City SEZ Jaipur will commence operations by Q2 of next year. As on date most machineries are under installation and are on track to start production soon. We look forward to growing our sales again in FY2020 while taking contributions from the new Jaipur plant. We are further taking initiative to stay relevant and profitable in the industry and the company had started construction work for the proposed quartz plant with an initial capacity of 180000 square per meter per year which we expect to be commissioned by Q4 of 2019-20. We will now hand over the call back to the moderator for questions.

Moderator:

Thank you very much Sir. Ladies and gentlemen we will now begin the question and answer session. We have the first question from the line of Viraj Kacharia from Securities Investment Managers. Please go ahead.

Viraj Kacharia:

Thanks for the opportunity and congratulations on a good set of numbers. I had a couple of questions. First is if you see realization in this quarter you had improved considerably, so if you



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can just provide some colour to what kind of the pricing environment we are seeing in the market especially in the last couple of years there have been a good amount of competition especially from the Brazilian peers and the market rate, so do we see now a phase where we are seeing realizations forming up going forward and if you can provide further color on the competition?

Sahil Arora: Like you have been saying over the past many years Q4 is always the fastest of the best quarter for us as at the beginning of the season. Q3 is usually the lowest of the season and the other two are when the markets are starting to close down slowly, so that is why you can see a better realization or better sales numbers in Q4 of year.

Viraj Kacharia: Good.

Sahil Arora: Going forward, we plan to continue with our current strategy or focusing more in higher margins and with the Rajasthan plant coming up we also expect that to add a lot of sales because plus give us better opportunity for increasing the sales of our Rajasthan plant. Currently the landed cost of raws material to Hosur from Rajasthan quarries or Rajasthan raw material constitutes about one-third, so by shifting to Rajasthan we can reduce that cost considerably and that should help us improve volumes of Rajasthan colours and also profitability.

Viraj Kacharia: Actually my question was more on the realization if I am going to compare year-on-year Q4 versus Q4 of last year there has been some improvement in realization, so just trying to get an understanding in terms of how we are seeing the realization or pricing trend in general and in terms of competition intentionally globally?

Sunil Kumar Arora: Arora here, I will just continue with this question. What we did in last year like we have explained. We have started cut-to-size work in a factory, cut-to-size means more value addition earlier we were doing only random slabs and modular tiles, cut-to-size is basically orders received from the customers for a specific sizes and a lot of value addition in it which has improved the valuation and profitability.

Viraj Kacharia: Okay and in general how is the competition being especially from the Brazilian side, has been in the past a lot of pricing pressure?

Sunil Kumar Arora: It is there and will be there and maybe will grow further actually, but like Sahil has been explaining we have been moving towards the area of working on the materials which gives us better margins, in stone business there are some material which are high volume where the margins are not there. Certain material where their volumes are better, where the valuation is better where the pricing is better, the balance sheet is better and we get better profits, so that is the area as a company we are focusing on.



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- Viraj Kacharia:** Okay and in terms of the reason whole news around on the tariff, does it anyway positively impact players like us especially from export point of view to US?
- Sahil Arora:** The tariff has not come into place as of yet, the announcement from the US will come around the end of the month, so only after that will we actually see if there is any movement, when it comes to the Chinese tariffs, we have not seen any change in the demand for natural stone as of yet as US market is slowing down due to this Quartz effect.
- Viraj Kacharia:** Okay, but indicatively are we getting any enquiries, are we seeing more enquiries now from customers, are we seeing more discussion in terms of sourcing from India or players like us?
- Sahil Arora:** Not really, US still quite uncertain what to do with the current tariff situation, just adjusting to the tariffs and there is still a case going on in the supreme court regarding these tariffs and customers over there are still very uncertain on how to go ahead.
- Viraj Kacharia:** Okay, that is all from my side. Thank you.
- Moderator:** Thank you. The next question is from the line of Siddharth Agarwal from Prudent Value Partners. Please go ahead.
- Siddharth Agarwal:** Good afternoon Sir. Thank you for giving me this opportunity. This year I noticed that our profitability for the last two quarters has improved, we are seeing a trend in increase in the profitability. Could you please throw more colour on this, what are some of the key drivers which have helped us to improve our profitability and do you think that is it sustainable in the coming year?
- Sahil Arora:** Like we have been saying for the last three years, we have been taking steps to turnaround the company to make – taking certain steps which has taken time to materialize and Q4 has actually shown the result of these changes that we have made, so going forward we expect to continue with the same strategy and hopefully we can see similar profitability towards the next year.
- Siddharth Agarwal:** Okay, so these kind of margins are more or less sustainable now, because of all the changes that we have done over the last two, three years in a business model.
- Sahil Arora:** To start with first in 2014, we setup a new warehouse which has helped us to display more products and to have faster sales then we started with cut-to-size project work and now cut-to-size is seeing more and more volumes and then thirdly we installed a multiwire in the Hosur plant so that we can produce high value natural quartzite from Brazil and some very fragile materials from India. Going forward, the fourth step that we will come into play next year onwards is the commissioning of the Jaipur unit which should also help us see better margins and better sales again.



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- Siddharth Agarwal:** Okay Sir. What is the proportion of this cut-to-size as a mix in our total sales now?
- Sahil Arora:** It is about 14% to 15% in terms of value.
- Sunil Kumar Arora:** That is why we are growing quite a bit, that is why we are able to get better margins.
- Siddharth Agarwal:** Okay and Sir how do you see this mix changing, do you expect it to further move towards in favour of cut-to-size in fact that segment is growing faster than the overall?
- Sahil Arora:** It is not that is growing faster than the overall, the problem with the cut-to-size is very uncertain market, it is not a regular business market, it goes project-to-project to project so certain months you find that we have no place in our cut-to-size division whereas in some which you might find that the cut-to-size division is not being utilized at all. It does help us a lot in terms of maintaining customers in terms of catering to our existing customers, so we do hope that this division grows, but going forward I think we are almost at the peak on a total turnover I do not think we can see more than about 20%, so 14% to 15% is quite realistic.
- Siddharth Agarwal:** Okay and Sir could you also...?
- Sunil Kumar Arora:** ...from Jaipur also, once we start the Jaipur unit to start even the cut-to-size will be done in Jaipur unit which will also add to our overall...
- Siddharth Agarwal:** Okay Sir and could you also throw a little bit more colour on the raw material situation now, so what has been the impact on the raw material pricing after especially due to this closing of the quarries that has happened and what are we doing for the diversifying, is it becoming more challenging now after what has happened in Tamil Nadu and Karnataka?
- Sahil Arora:** We look at raw material as three hubs. The first hub being Tamil Nadu and Karnataka hub, the second one being the Andhra and Telangana hub and third being the Rajasthan hub. As far as Rajasthan is concerned, it is a new area, the pricing is quite stable. The quarry owners are a little bit more younger, little bit more dynamic, little more adjusting, so we do not see much of a price increase over there. We will see a price decrease for us in totality as the raw material transportation price will come down once we shift to Rajasthan. As far as Andhra and Telangana is concerned, it is also about 1000 kilometers away and the transport cost is still not working out for us, so we are not very competitive in this area. Coming back to Tamil Nadu and Karnataka, the raw material pricing is not going up purely because the quarry owners are aware that granite is now taking a back seat as compared to engineered products, but the availability has not improved, so there is a lot of competition in terms of who is able to get blocks first if some... there are players in the market who are buying worst blocks at higher prices than us and we can see that effect throughout the market.



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- Sunil Kumar Arora:** Also to add to that these days color pattern or the market trend is moved towards only white, grey and black, so that reduces the number of quarries we can depend upon or get the raw material blocks from. That has also created lot of shortage in the market of raw material.
- Siddharth Agarwal:** We also import certain blocks from overseas, so what proportion for our raw material what these imported blocks constitute, overall is it going up or is it stable?
- S. Balaji:** This is Balaji here. As compared to last year, the component of proportion of imported block for the current year is about 5%, last year it was about 14% and this year it is about 5%.
- Siddharth Agarwal:** Okay, so we are later to content on importing or is it just that kind of projects we had or the demand that we had in this particularly year, I mean do you see that trend sustaining or is it was an aberration this year?
- Sunil Kumar Arora:** The colour pallate has become only white, grey and black that is one reason and secondly the high competition from China and other places so we had to cut down on our... and even getting most raw material from Brazil, the Brazil company has a lot of production has come up, so we are unable to complete on the lower end, we are only able to do which are high end material, so that is the reason overall volume has come down, but the margins are better.
- Siddharth Agarwal:** Okay, great Sir. I have a few questions, but I will come back in queue. Thank you Sir.
- Moderator:** Thank you. The next question is from the line of Ankit Gupta from Bamboo Capital. Please go ahead.
- Ankit Gupta:** Thank you for the opportunity. I just wanted to check currently for the Hosur plant how much are we sourcing from Rajasthan?
- Sahil Arora:** About 10% of our total...
- Sunil Kumar Arora:** Because problem is, transport cost is so high from Jaipur to existing unit, it is almost up to Rs.25000 per cubic meter, so which really makes unviable to market much material from here through the factors in Rajasthan, so that is the reason we have decided to put up our plant here.
- Ankit Gupta:** Okay and for this when the new plants starts operation, is in this basically how are you looking at ramping up the plant, do we expect that the demand environment is good and we will be able to ramp up a new plant significantly in FY2020 and FY2021 itself?
- Sunil Kumar Arora:** Yes like what we have been saying that the colours in demand right now are white, grey and black, so in Rajasthan most of the materials are available is with white background and greyish like which are popular in Brazil, which are in huge demand at least. So that is the reason I think it will be very considerable for us to market, it is very easy to our Indian customers.



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- Ankit Gupta:** Okay and since transportation cost will also reduce when we start Rajasthan plant, so do we expect that the margins will also improve going forward once the Rajasthan plant ramps up significantly let us say in FY2021?
- Sunil Kumar Arora:** Definitely we will be able to get the better margins and also of course we have to pass it on to our customer's part of it, but overall yes it will give us better margins and also the volume, we will be able to increase the volume.
- Ankit Gupta:** Okay, thank you so much.
- Moderator:** Thank you. The next question is from the line Shankar Dutt who is an Individual Investor. Please go ahead.
- Shankar Dutt:** Thanks for the opportunity. What is your total capex for your Jaipur plant and if you could please share the capacity of the plant and revenue it can generate?
- Sahil Arora:** The total capex of the plant is Rs.55 Crores and installed capacity is about 150000 square meter per annum which is about 150000 square meter per annum and the revenue generation from that about 40.
- Sunil Kumar Arora:** First year we expected to be Rs.36 Crores, Rs.30 Crores to Rs.34 Crores, from the maximum capacity it is around Rs.45 Crores to Rs.50 Crores depending upon the product mix.
- Shankar Dutt:** You said maximum capacity would be Rs.40 Crores to Rs.50 Crores right?
- Sunil Kumar Arora:** Rs.45 Crores to Rs.50 Crores at the max capacity we will able to generate.
- Shankar Dutt:** What will be the product you will be selling from there?
- Sahil Arora:** It will be granite slabs.
- Shankar Dutt:** And Sir you started a new project product line quartzite, you are selling from there also?
- Sahil Arora:** No, Quartzite we will be selling only from Hosur as the transportation cost from Chennai Port to the plant and back to Chennai Port is much less and also the tariffs from Brazil to Chennai bringing by container will be much less as compared to bringing it to Rajasthan.
- Shankar Dutt:** Okay and Sir my second question is on engineered stone, as the engineered stone has become a share to natural stone industry, so do you have any plan to deal with engineered stone?
- Sahil Arora:** Like I already said in the beginning of the concall, we have already started construction of our engineered stone plant, which we hope to finish construction by next year. The plant will be



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located within the Hosur plant itself and we will have installed capacity of 180000 square meter per year.

- Shankar Dutt:** Okay and what will be the capex for the plant?
- Sahil Arora:** The capex is Rs.31 Crores for the quartz plant. What we plan to do is, we plan to install only the molding line in a new shed and we plan to use our existing polishing line, existing infrastructure to finish the product.
- Sunil Kumar Arora:** That is how we are able to keep the capex down, which is very low and that is we already have the land we just have to make the building and we are using existing capacity to do the finishing.
- Shankar Dutt:** And it will be funded through borrowings right?
- Sahil Arora:** It will be funded through...
- Sunil Kumar Arora:** All the internal accruals and the equipments supplies credit.
- Shankar Dutt:** Thank you Sir. I have more questions I will be back in the queue.
- Moderator:** Thank you. The next question is from the line of Siddharth Agarwal from Prudent Value Partners. Please go ahead.
- Siddharth Agarwal:** Thank you Sir for giving the opportunity again. Could you tell us a little bit about the working capital division because last year lot of our money was getting stuck due to the GST refunds, so what is the situation now?
- Sunil Kumar Arora:** GST refund currently we have about Rs.13 Crores blocked in the system, the beginning of the quarter, we had Rs.20 Crores stuck in the system and we have got about Rs.4.5 Crores, another Rs.2.5 Crores is in the pipeline in this current month, so about Rs.13 Crores still stuck in the system Sir.
- Siddharth Agarwal:** Okay, refunds and returns happening more systematically now or do you still see significant delays or has the process now smoothen that the incremental that Rs.10 Crores or Rs.14 Crores whatever is going to be stuck, but on a rolling basis, is it smooth now or is it still a bit patchy?
- Sunil Kumar Arora:** The system such that it depends upon where the jurisdiction lies. Till last December, our jurisdiction with the central government and there was no issues, but since the jurisdiction has moved now to state government, because the division of responsibility right now, small units in Hosur and Krishnagiri have been transferred to state government, there is a bit of delay, but those delays are only administrative delays it can be weeded out over a period of time and we have weeded it out and we have seen faster realization in the last three months. So what has happened



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that we have filed up to June 2018 and we have started getting the money faster now, so that is how it is done.

Siddharth Agarwal: Okay Sir and for the next year now that we have two plants which are undergoing capex, one in Rajasthan and other one in Hosur plus we would probably need more working capital to support our scale of operations for both the business sufficient for expansion, so what kind of that do we expect have you already tied up increased credit limits or on a financial side of it how are we looking at?

Sahil Arora: We already have sufficient working capital limits available with us from our bank which is Bank of Baroda, we plan to utilize the funds for the expansion program in Jaipur and Quartz. Especially in Quartz, the trend is that the payments terms are cash in advance and cash and carry and for the Jaipur plant also the supplier of blocks, they are willing to provide the credit, so there are some advantages as compared to in Hosur plant, so you can manage within the existing working capital limits.

Siddharth Agarwal: No significant increase in the expected in the working capital from this.

Sahil Arora: At present no further increase in quartz.

Siddharth Agarwal: And for the Quartz plant when did you expected to commission?

Sahil Arora: Q4, this financial year by the end of last quarter.

Siddharth Agarwal: How much turnover on 180000 square meter capacity, how much turnover can we expect in FY2021 from this plant?

Sahil Arora: Full year, it will be around between Rs.45 Crores and Rs.50 Crores.

Sunil Kumar Arora: Depending upon the product mix.

Siddharth Agarwal: Quartz as well as new Rajasthan plant has similar kind of turnover potential Rs.45 Crores to Rs.50 Crores each?

Sahil Arora: That is right.

Sunil Kumar Arora: This is all in the first phase.

Siddharth Agarwal: Depending on the success on the Quartz plant we have plans to further extend the capacity, for the Quartz plant?



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- Sunil Kumar Arora:** Yes, absolutely depending upon the market, depending upon the availability of raw material, all the viabilities, we have the capacity expansion plan in future.
- Siddharth Agarwal:** For Quartz, because of the tariff from the Chinese importers in US, so will it be I think it should be reasonably competitively easier market for us to sell into, so what are your thoughts on this, do you think we could – how easy it is going to be to sell our capacity there?
- Sunil Kumar Arora:** We are already selling granite slabs more than 20 years say about 50 countries all over the world, so we have very established customers who have been buying granite slabs for many years, their market has changed, their market like five years back used to be 80% granite, 20% quartz, today it is 70% to 80% quartz and 20%, 30% granite, so they are the one who are already buying granite from us, we will now start buying quartz from us.
- Sahil Arora:** We do not plan to add any further customers, we plan to work within our own customer base as of now.
- Siddharth Agarwal:** Okay Sir, the profitability is similar in Quartz or how does that compare with the granite division?
- Sunil Kumar Arora:** As of date it is better profitability, but I am sure as and when the competition goes up because in granite being a natural product, we have the control, but Quartz is engineered stone, man-made stone so we do not have control over it and also it can be huge competition from China.
- Siddharth Agarwal:** Okay, but because of the tariff barrier at least non-chinese manufacturers may have some edge?
- Sunil Kumar Arora:** Yes, but in the Quartz let us what kind of design pattern you are able to control and make the quality standard, which we are very hopeful that we can manage because our granite company are systems we work with, we will be able to make quality patterns, exact in ceramic tile what do you see in the porcelain tile there are company that sell at low price, there are companies which sell at higher price, it depends upon what quality, what patterns, what kind of marketing systems you have, so we plan to work with their existing customers which they have one of the top customers all over the world and they are looking for high end material, we will be able to work with them with better margins.
- Siddharth Agarwal:** Okay, great Sir. That is all my questions. Thank you very much Sir.
- Moderator:** Thank you. The next question is from the line of Viraj Kacharia from Securities Investment Managers. Please go ahead.
- Viraj Kacharia:** Thanks for the opportunity. Just I had one question. For this quartz, we are looking to setup the capacity, what will be your primary market part, domestic market or exports, what will be your primary focus for?



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Sunil Kumar Arora: We said we are setting the unit up in our Hosur unit, which is an export oriented unit 100% EOU so our market will continue to beat export like that which I was saying. Our primary focus will be our existing export customers and we plan to target those – plan to sell our capacity to our existing customers all around the world, so we have more than 50 markets around the market, we plan to focus on those 50 export markets.

Viraj Kacharia: Got it and is there if you can provide some colour and what is the kind of base margin one can expect on this particular product, what kind of profit we are expecting from this product, once we reach our full utilization?

Sunil Kumar Arora: I think roughly around 20% margins is quite feasible at this point of time.

Viraj Kacharia: Okay and if we look at this whole tariff again for Quartz also what do we understand China is a big supplier of these products to you suppose implementation of this new tariff structure, what kind of – are we seeing any indication from our interactions for quarts from customers in US?

Sunil Kumar Arora: I am sorry I did not get your question.

Viraj Kacharia: My question was are we seeing any indication from our customers in US in terms of demand advance booking for quartz or any other those things?

Sahil Arora: As per statistical data, the import of quartz from India in January 2019 as compared to January 2018 is almost 250%, so 2.5 times, so definitely once you have the tariffs in China, the customers in US are look to shift their focus to India.

Viraj Kacharia: There again suppliers like us even for granite, are we kind of able to get a higher realization from because the kind of tariff increase which we have been talked about, which almost addition 15% increase, so are we also kind of able to get some benefit of higher realization I mean are we able to charge a very, very higher realization?

Sahil Arora: In granite, we are not able to get higher realization and in quartz also not to a large extent because customers are right now in the process of adjusting their supplies, so they already have stocks, lot of customers before the tariffs were put in place about huge quantities from China, so they already have low value quartz in stock, but majority of the quartz that has been imported from China into the US, was for something called as builder program. Builder program prices are fixed for the entire year and they are only revised once a year, these are basically go into companies like Home Depot, IKEA, where the prices are fixed and the margins are rock bottom. So this is where the volume has been shifted to India, so it is not that just higher realization because they are not able to buy from US is that they are shifting the demand to India.

Sunil Kumar Arora: One more point, there are many other countries which supply quartz to USA like Italy, Spain, Turkey, Vietnam, there are many other countries from where they can supply to US, my point is



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that we are targeting US market like we (inaudible) 33:25 our target is that we have customers in more than 50 countries, so those there are base actually where we plan to market our product.

Viraj Kacharia: I understand that logically one more thing that the kind of scale of the market for this particular product in US alone and kind of tariff increase we are talking about one would have thought, it would be easier to...?

Sunil Kumar Arora: In fact there is a talk that we are going to put tariff in India as well you know how US is working these days, so we cannot depend upon the US market just because they are putting tariff on China, they can put this in India as well tomorrow you never know. We have our focus on other markets then look at US market.

Viraj Kacharia: Okay, thank you.

Moderator: Thank you. The next question is from the line of Shankar Dutt from who is an Individual Investor. Please go ahead.

Shankar Dutt: How your business is in Europe doing, did you increase the business in Europe countries and added some countries over there?

Sahil Arora: Overall our percentage share of total sales in Europe is much higher now has been as compared to other countries, but as per the addition of new countries, I do not think there were many new countries added in Europe to our market share.

Shankar Dutt: Okay and is there competition from quartz also, you said that competition in quartz, is lesser compared to USA?

Sahil Arora: So countries like Australia, New Zealand, the UK and Netherlands, there is a lot of demand not only for quartz, but engineered Stone, Netherlands specifically was very large market for outdoor tiles, that outdoor tile market has been taken over by outdoor porcelain tiles whereas UK which is also very large market for natural stone for countertops is now being dominated by quartz.

Shankar Dutt: Okay and Sir, your sales in India seems to increase now, how are you faring in India market post GST implementation?

Sahil Arora: Post GST there was a lot of confusion, but now that the confusion has been cleared out. The process seems to be a lot smoother, there is less permissions that anyhow you have to take to do business in domestic market, so overall ease of doing business in domestic market has improved, one of the reasons that you are seeing and slight increase in domestic sales also so that we can offset some input credit.



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- Shankar Dutt:** So as you are starting plant in Jaipur can we expect more sales in domestic market from that plant?
- Sahil Arora:** The Jaipur unit is actually being setup in SEZ and we will be doing some quantity of sales in domestic market, but having being setup in SEZ, there are certain costs which should be higher than the local competition, so it will be little bit difficult for us to compete with the unorganized sector in Rajasthan.
- Sunil Kumar Arora:** The domestic market setup is completely different from the export setup, we are right now being specialized on the export market and that kind of setup the kind of investment, kind of machinery, consumables, the overall mindset of working is totally different in the domestic market and the export market, it is very difficult do both in one area, we would rather focus on our area where we are strong in and of course in natural material you do produce rejects. We do have second choice material that we sell from domestic market.
- Shankar Dutt:** Your products on sold at premium pricing in export market, are you able to command same pricing or margin in India?
- Sunil Kumar Arora:** Yes, same thing I have been explaining, nobody is willing to get that kind of prices, but local units are able to provide at much lower competitive prices materials, of course the qualities on the same what we make.
- Sahil Arora:** For example giving tiles that is example, tiles would have been normally sell to Europe at higher prices than the local market, is there because our product is calibrated, so the laying of the entire floor can be done by one person whereas in India, where the labor cost is very low, you can have 20 people doing the same job at half the price of a single labor in Germany and at the same quality, so people are more focused on getting lower prices, because the labor cost or the cost of laying is much lower in India whereas in Europe and the US the cost of laying is usually three or four times the cost of material whereas in India, the cost of material is three or four times the cost of labor.
- Shankar Dutt:** Thank you Sir. That is all from my side.
- Moderator:** Thank you. As there are no questions from the participants I would like to hand the conference over to Mr. Gaurav Sud for his closing comments.
- Gaurav Sud:** Thank you Mallika. Thanks for logging into the call today. As we have announced earlier we will be aiming to hold this conference call every six months which is basically after the September quarter and March quarter. If you have any further queries you can always mail us. Our e-mails are there on our press release and thanks once again to be there on the call. Thank you.
- Sahil Arora:** Thank you.



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Moderator:

Thank you very much members of the management. Ladies and gentlemen on behalf of Kanav Capital Advisors that concludes this conference call. Thank you for joining us and you may now disconnect your lines.