



“ARO Granite Industries Limited Q2 FY2022 Results Conference Call”

November 08, 2021



ANALYST:

MR. GAURAV SUD - KANAV CAPITAL

MANAGEMENT:

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ARO GRANITE LIMITED**

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Moderator: Ladies and gentlemen, good day and welcome to the Q2 FY2022 Earnings Conference Call of ARO Granite Industries 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 “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Gaurav Sud from Kanav Capital Advisors. Thank you and over to you Sir!

Gaurav Sud: Thanks Janis. Welcome everyone and thanks for joining this Q2 FY2022 earnings call for ARO Granite Industries Limited. The results and investor updates have been mailed to you and it 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. Madangopal, CFO and Mr. Sabyasachi Panigrahi, Legal Head and Company Secretary.

We will be starting the call with a brief overview of the company’s performance and then we will follow it 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 we 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 may find on our website.

With that said I now turnover the call to Mr. Sahil Arora. Over to you Sahil!

Sahil Kumar Arora: Thank you Gaurav. The management of ARO Granite Industries welcomes you to Q2 FY2022 investor concall. Thank you for taking out your time to attend this call. The financial year 2020-2021 ended strong with a strong last quarter. However, the challenge of COVID continued into FY2022. With COVID second wave hitting India extremely hard, different parts of India faced spikes in COVID cases in this deadliest second wave. During lockdowns, many workers returned to their hometowns. There was a severe shortage of labor with Hosur operating at 30% to 40% capacity due to this labor shortage. Jaipur, being a smaller unit, was able to operate at 75% capacity. Labour shortage in North and South India became even more acute due to the lower production capacity of quarries, some of which were working with less than 20% of their labor force.

In Q2 the 20-foot container rate crossed US \$10,000 per container from India to US and India to Europe crossed US \$8,000 per container. Even at these extreme prices, there was an acute shortage of container and finding empty containers became a big challenge. This extreme increase in container price and acute shortage resulted in over 250 completed containers being



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stuck in the factories. Luckily, by September the availability of container has greatly improved and shipping has started up again. However, the extreme high prices of freight still remained. High rates of containers were being accepted by many customers now that their inventories have been pinned out. Budget colors were purchased on a need be stock basis and our sales in budget colors dropped drastically. Customers focused more on high end as the freight rate is high, and it is a smaller component of the total landed cost.

Coming to our performance, in Q2 FY2022 our sales increased by 36.61%, our EBITDA increased by 63.62% and our PAT increased by 162%. Our sales increased largely on the account of increased contribution from our Quartz plant and a complete utilization of our Jaipur unit. Our Jaipur plant is running successfully. It contributed and our business has been increased substantially and it generated close to 20% of the revenue in the first half of 2021. Currently, our Jaipur plant is running at full operating capacity.

Popularity of colors is robust in North America, and we are unable to explore opportunities in other destinations due to capacity constraints. Our focus has also been on a small selection of colors and now we aim to increase the capacity of the Jaipur unit. To increase the portfolio of colors and increase the number of customer countries we serve, we have planned and placed an order for our second Multiwire and the advances for which have been paid by our internal accruals. We expect to commence commercial operation with the second Multiwire in the first quarter of 2023.

We have started commercial production from our Hosur Quartz plant and our product is being accepted by customers and we are getting very encouraging feedback. Our Quartz plant generated 15% of the revenue in the first half of FY2022 and we are leveraging a strong distribution channel and strong relationship for the Quartz segment as well. Despite the challenges of the pandemic, market situation, rate issues and raw material issues, the steps we have taken in the past year has started to bear fruit, and we expect our performance to continue to improve in the coming years as we continue to develop a long-term plan.

We thank you for your valuable time to join us on this concall and I would now like to open up this concall for questions. Thank you.

Moderator:

Thank you very much. Ladies and gentlemen, we will now begin the question and answer session. The first question is from the line of Siddharth Agarwal from Prudent Value Partners. Please go ahead.

Siddharth Agarwal:

Good afternoon, Sahil and the team and congratulations for a great set of numbers given the uncertainties that we have currently. So, my first question is that, you know, our performance has improved significantly in spite of all these uncertainties, raw material challenges and shipping container crisis, you know, which we have been facing. So, what really led to, you know, the growth in both revenues and profits this quarter?



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- Sunil Kumar Arora:** This is Sunil Kumar Arora, Managing Director. I would like to answer your question. Now we have basically four verticals. Number one vertical is granite tiles which we have been doing from last more than 30 years which is running at almost full capacity and we have customers for a long time. Number two, we have granite slab plant in Hosur which had a setback about six years back when all the quarries in Tamil Nadu had closed down and we are left with hardly any raw material to run the plant but somehow we managed to continue our operations by importing blocks from other countries, adding more value product cut to size. So we are still able to run it 50-60% capacity. Number three is our Jaipur plant for granite slabs which is running at, like Sahil explained, at almost full capacity and we are doubling our capacity which will be ready by next financial year. Number four is our Quartz plant which we started this year in January. That is also we are able to ramp up very well and we have very good feedback from our customers. So, out of these four verticals, all put together our revenues have gone up.
- Siddharth Agarwal:** Okay. So, Sir, our Jaipur plant is also, as you said, is running at 100%, what is the total revenue and profit potential from this plant for a year? I mean, what are our targets from this plant?
- Madangopal:** For the half year ended as well, Jaipur generated revenue of 24 Crores out of the total 118 Crores for the half year. Revenue is 4.88 Crores which is actually tax exempted for the half year.
- Siddharth Agarwal:** Even 4.88 is the EBITDA or PBT?
- Madangopal:** PBT.
- Siddharth Agarwal:** Okay. So, can we assume that, you know, for the full year it would be roughly 50 Crores or could be higher because Q1 it may not have worked at full capacity?
- Sunil Kumar Arora:** No. Actually, see this third quarter generally is always because of winter and Christmas holidays, always generally a slower quarter for us. Yes, the fourth quarter picks up but whatever you see in the first six months similar results we are hopeful doing in the next two quarters.
- Siddharth Agarwal:** Okay. So, now we are planning to increase our capacity in the Jaipur plant. So with the increased capacity what could be the revenue potential of the plant say for FY, I think that new capacity will come in FY2023?
- Sunil Kumar Arora:** Yes.
- Siddharth Agarwal:** Middle of next year?
- Sunil Kumar Arora:** Yes.
- Siddharth Agarwal:** So, with that complete new capacity how much revenue can we target from Jaipur plant?
- Sahil Kumar Arora:** We expect that there should be 60% increase on the full year revenue of Jaipur.



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- Siddharth Agarwal:** So, roughly 80-85 Crores at full capacity.
- Sahil Kumar Arora:** That is right. So, though we are adding a second Multiwire the capacity will not completely double. It will be a 60% increase only.
- Siddharth Agarwal:** Okay. Great and, of course, Quartz also has had a good start. So, could you please give us some numbers of the Quartz for Q1 and Q2?
- Madangopal:** Quartz generated a revenue of 6 Crores in Q1 and 12 Crores in Q2, so put together 18 Crores for the half year and in terms of profitability it was more or less a breakeven because it is the first year of operation and due to our increased productivity and performance, we were able to breakeven instead of incurring a loss.
- Sunil Kumar Arora:** Quartz is a completely new division, new segment for us so it is going to take us some time to learn this industry completely and we do expect to ramp up in the coming year. Also, the Quartz plant which we commenced operation in January 2021 has still not had the technicians from China where we brought the machinery to come and visit us to help us completely streamline the total process. So once the Chinese are able to come we expect that we will be able to streamline our process even more which of course means we will be able to control the costs on raw material a lot higher and then to further increase the sale and profitability we will also then be able to make high end products. So currently what we are doing is we are making just the basic and the mid-range product in Quartz and we are still not able to make the high end. So, with the Chinese coming in sometime next year we expect that we will be able to expertise herself in making the high end where you can see a good revenue growth and profitability coming.
- Siddharth Agarwal:** Are there any indications or, you know, we must be talking with these Chinese technicians are there any indications when are they likely to come and help set this up?
- Sunil Kumar Arora:** Tough question really. We have been struggling from last two years, somehow we have been pursuing them to come over but, as you know, things are changing so fast it is very difficult to say. But they are very cooperative with us over online actually and they are giving us complete support. We have installed CCTV cameras all over the plant so they are constantly watching how we are working and they are guiding us very well. But, yes, we are hopeful by next year, I mean, things should be much better, and as soon as they are able to travel they will definitely visit our plant.
- Siddharth Agarwal:** So, for the Quartz, because it is a blend of various raw materials. So, could you please explain to us our sourcing of raw materials and, you know, for key raw materials and pricing have they stabilized for Quartz plant or there are any issues in sourcing raw materials?
- Sunil Kumar Arora:** The two key cost components of raw materials in Quartz is the Quartz grits and Quartz powder that comprises roughly about 90% of the total composition of the product. Cost wise it is roughly



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around 45%. The other component is polyester resin so polyester resin constitutes another 45% and 10% of our other miscellaneous consumables. So, as far as Quartz grits is concerned it is a natural product. It is found in many, many parts of the world and the rich sources in India are in Rajasthan and in Tamil Nadu and you also have very good resources in Andhra, Telangana and various parts. So these Quartz, they are like junks, are then taken to processing plants where they are crushed down to a particular size, be it 0.1 to 0.4 mm, 0.3 to 0.7 mm and so on which are then, you know, mixed in various proportions along with pigments to make different patterns and sizes and so on and so forth. The sourcing of this has more or less been streamlined. We have very good sources from Tamil Nadu, from Andhra, from Rajasthan area and we are able to streamline that very well. The big challenge recently has been in the polyester resin. The polyester resin is a commodity and since the beginning of the year we have seen almost a 50% increase in prices but in the last month we have also seen about a 5% decrease in those prices. These prices are going up mostly because of the problem of rates coming in from China and petroleum, of course.

Siddharth Agarwal: I have a few more questions but I will come back in the queue and if time permits I will come back. Thank you very much.

Moderator: Thank you. The next question is from the line of Prateek Chaudhary from Samarthya Capital. Please go ahead.

Prateek Chaudhary: On the Quartz plant is my understanding correct that on full utilization we would be able to do around 100 Crores per annum kind of revenues?

Sunil Kumar Arora: At present we have installed only one line. With the one line we expect to touch 40-45 Crores in a full year for operations. But this plant has been designed to put two and a half lines which we will in near future as and when the market, raw material, things have stabilized we will add on the capacity.

Prateek Chaudhary: So that 180,000 Square meter is for two and a half lines?

Sunil Kumar Arora: No. That is for one line.

Prateek Chaudhary: Okay and that is going to give us 40-45 Crores?

Sunil Kumar Arora: Yes. At present we are doing only basic colors like Sahil explained.

Prateek Chaudhary: So we are already on 100% utilization of the first line?

Sunil Kumar Arora: Almost with basic material, yes.

Prateek Chaudhary: And, how much did we spend for this one line?



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- Madangopal:** We have spent close to 45 Crores in terms of capex for this one line for the Quartz plant.
- Sunil Kumar Arora:** This plant has been installed in the existing unit. So there is no extra land cost. So the only cost is that we made the shed and the machinery. Other than all other infrastructures like canteen, offices, there is no extra cost for us actually. It has been within the same premises that have been quite beneficial and helpful for the company to do the project at such a low cost.
- Prateek Chaudhary:** How much will an extra line cost us?
- Sahil Kumar Arora:** An extra line would cost us, because then you will also have to add extra finishing line, so it will cost us around US \$6 million. But that is on the higher side.
- Prateek Chaudhary:** So, about similar amount that we spent on the first line?
- Sunil Kumar Arora:** Will be much less because there will be this civil work, the foundation work, the electrical work which also very large components of total cost are already there. The six million I am saying is really on the much higher side.
- Prateek Chaudhary:** Thanks a lot. Those are my questions. Thank you.
- Moderator:** Thank you. The next question is from the line of Shankar Dutt, Individual Investor. Please go ahead.
- Shankar Dutt:** Thanks for the opportunity and congratulations for great set of numbers. Sir, my question is around cut to size segment. So, how is it doing, Sir?
- Sahil Kumar Arora:** Cut to size segment is completely busy. Right now we are running full capacity on that. And it is doing well. We are getting more and more acceptance from various parts of the world. So at this moment, you know, we are completely busy in that segment with our existing customers supplying them good products and we are getting good repeat orders from the same customers and of course, that leads to better margins because it is a value added segment.
- Shankar Dutt:** Can you give us some numbers about revenue and profitability?
- Madangopal:** It is about 20% of our revenue as well as the profitability of the slab plant. It is actually linked to the slab plant. So the percentage is 20% revenue of the Hosur slab plant.
- Shankar Dutt:** Okay. So, can we also do from Quartz plant this cut to size segment?
- Sahil Kumar Arora:** Yes, we can. In fact that is in our future plan that we would like to do a lot more projects using Quartz in cut to size and twin projects in that. So, we expect that, you know, once our production has completely stabilized, our products are more accepted by our customers, the end user basically, then we will be able to start doing a lot more cut to size projects.



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- Shankar Dutt:** Are more accepted by our customer, customer the end user basically, that we would be able to start doing a lot more cut to size projects.
- Sahil Kumar Arora:** And already we started getting lot of enquires for cut to size. We are already quoting for them right now. So, it's a project, it takes little bit more time than the random slabs sales. This is something which you start now. You get orders only by next year.
- Shankar Dutt:** Okay, that is great. Sir, about raw material, we are facing great challenges in South India. So, what is the situation now? So, there were also news that its Government is changing and the Industry has made the representation. So, is there any update?
- Sunil Kumar Arora:** Yes, you know. The Tamil Nadu Government has changed. So, we are very hopeful that the quarry which had closed down 6 years back should start, or should start operating with this new Government coming in, but it is difficult to say right now, as of now. Immediately it is difficult to say, but all the quarry owners, all the industry here is representing, making representations regularly to the government to start the quarries. Right now, with the pandemic, right now with this COVID situation, things are little slow, but we are very hopeful in the time to come, quarries will start.
- Sahil Kumar Arora:** Like dad has mentioned, we have four verticals in our company. The other three verticals, the raw material sources are now quite stable and we are able to manage with 100% capacity. It is only for the Hosur Slab plant where we still face challenges. To face that, also we are importing a lot of raw material.
- Shankar Dutt:** Okay, Sir, how are the cost for importing raw material in the shipping cost are rising, so, what is the cost structure? And do we have bear that that cost?
- Sahil Kumar Arora:** Until two-three months back, the shipping cost had really not increased for inwards freight into India, It was only for the outward freight. It is only from the previous two months that we see any increase in inward freight, but as what we are importing is extremely high-end the cost component of freight is very minimal and all customers are willing to increase the freight amount because it is not that somebody can control.
- Shankar Dutt:** Okay. Thank you Sir. That is it from my side. Thank you.
- Moderator:** Thank you. The next question is from the line of Dhruv Nawab from Analyze India. Please go ahead.
- Dhruv Nawab:** Congratulations on good set of numbers. My question was on Quartz Plant. So once we start operating at good capacity, what kind of margins are we targeting?
- Sahil Kumar Arora:** I am sorry Dhruv, the first, we got cutoff in the beginning. Can you please repeat that?



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- Dhruv Nawab:** Once we start operating at good capacity in the Quartz plant, what kind of margins are we targeting?
- Sahil Kumar Arora:** I would like to explain that the Quartz we have just started this year in January. It is not even one year. So, to start with, we were doing only basic colors. Once we go into the high-end materials, definitely we will be able to make lot more margins in this business, but right now, we would not like to say what kind of margins we can make, but in the next financial year you will definitely see good margins in this, Quartz plant.
- Dhruv Nawab:** So, and the Jaipur Plant where as we have currently undertaken expansion, when will that commercialize?
- Sahil Kumar Arora:** So, we plan to commercialize that by Q1 of the next financial year 2023.
- Dhruv Nawab:** Okay and from that plant, we can do approximately 80-85 Crores of revenue, right?
- Sahil Kumar Arora:** Right now, we are doing around.
- Madangopal:** Right now 45.
- Sahil Kumar Arora:** 45, so we should be able to do around, 75 to 80 Crores. Yes.
- Dhruv Nawab:** Regarding, freight cost, now containers are available for shipping or in the situation is the same?
- Sahil Kumar Arora:** But the price of the containers has not come down yet. So, the type of colors that you are able to sell and because if the, for budget colors the cost component of, the landed cost component of freight becomes too high, so if it is of the same material, this does not matter as much.
- Dhruv Nawab:** That is all Sir 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.
- Sidharth Agarwal:** Thanks for giving me the opportunity again. Sir, could you talk a little bit about the demand scenario, especially in United States now? I mean we saw that there were a lot of strong uptick in demand in the last few quarters but is the demand still holding well or how do you see that?
- Sahil Kumar Arora:** Yes, the demand is still holding very well. We still do not see any down turn on the demand as of yet. So, I think all the sectors.
- Sunil Kumar Arora:** All the sectors for Quartz will support for our Jaipur plant, and Hosur Plant. Our problem is always the raw material, not the marketing.



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- Siddharth Agarwal:** How about the channel inventory? I mean, with our customers or however the inventory levels, do we have any visibility on that?
- Sahil Kumar Arora:** The inventory levels of Quartz, is always maintained by most of our American customers for the high-end, it continues to be maintained and for the basics or the budget materials, now they are only buying as per the requirement or as per the sales. Earlier they used to stock large quantities of basic materials. Now they are not able to stock, large quantities of basic national stock.
- Siddharth Agarwal:** Okay, and what is the situation currently with their shipping containers? Have they normalized now or is it still causing foreign?
- Sahil Kumar Arora:** So, 250 containers, 255 containers at a peak being pending in the factories. We have come down to around, 130. So, already a 120 has dropped down and further we will see a reduction in that. So, the availability of containers is there. Customers have begun to accept the extremely high freight rate of \$10,000 plus to the US, \$7000 plus to Europe, that freight rate also, hopefully will come down in the coming months and then we can see that everything will start moving again. But availability of container as a whole is greatly improving.
- Siddharth Agarwal:** Okay. Sir, finally now since we have started commercial shipment of our Quartz to our clients, so what is the feedback there? Or the Acceptance of the, or any feedback on the quality, so what are you hearing from clients?
- Sahil Kumar Arora:** Our entire production at the moment is only from repeat orders from the same customers. So we hope that, that means that they are quite happy with our products.
- Siddharth Agarwal:** So, you foresee that you know once we have these Chinese technicians available, we may, you know, first of all look at into better products as well as also expand production.
- Sunil Kumar Arora:** High end colors. Idea is to make the high end, where the margins are more. Right now what we are making is the basic material, where the margins are bare minimum. So, once you start making those difficult design in the simple word if I tell you, see once you start making difficult designs, those design margins are extremely good. So, the, we are not able to do it right now. Once we start those designs, basically we call it as Calcutta design. Once we start doing Calcutta Design which is very similar to a marble actually, for those materials the margins are extremely good.
- Siddharth Agarwal:** Okay, but something Sir I am a bit struggling to understand is, you know, because our product quality is good, even though we are here doing basic designs, but still we are almost breaking even at least, even at full capacity utilization currently.
- Sunil Kumar Arora:** It is January. This has to be 10 months. You have to understand. It is a new product, which for just in the 10 months if the company is able to breakeven; I think it is a great achievement.



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- Sahil Kumar Arora:** And especially that, since we did not have any technicians and of course the quantification is also quite strong in making the basics they have had a head start on us for many years. So, you know if you are able to break their customers, I think that is something that.
- Sunil Kumar Arora:** The competition not only within India, but competition is also from Vietnam, competition from Turkey, from Middle-East, from so many countries around the world which make the same material. So, like I said, unless we start making special materials, special colors, then only we will get margins and that is not too far. It is just a question of few months. I mean we will be able to make, colors which are good designs and we make good margins. But you know when you start a new business you need time to stabilize actually.
- Siddharth Agarwal:** Sure. I understand that. So basically the profitability is there only in, you know, value added colors or niche colors and in the basic color it is may be just by filler, filling the capacity but we may not absolutely make a positive EBITDA from it?
- Sunil Kumar Arora:** You may be learning or training your team even. You can see right now we are training our team. Our team is getting trained.
- Siddharth Agarwal:** Thanks a lot Sir. Wish you all the very best for future.
- Moderator:** Thank you. The next question is from the line of Nuresh Mirani from Analyze India. Please go ahead.
- Nuresh Mirani:** Thanks for giving me the opportunity and congratulations for a nice set of numbers. I have a couple of questions which are a little more, say, over the next three years as I see, you have capex plans for Jaipur, you have capex plans for the Quartz plants, you have capex plans for Hosur. What is the total capex which you, in which are over the next one to three years and secondly, say, when does that capex cycle really take a stop because over the years, the company has only been putting money to work via debt. When does it start pulling out cash?
- Sunil Kumar Arora:** You know from last, like I explained the beginning, our last five years, six years the company had a great, big setback of the quarries closing down in Tamil Nadu. The huge capacity what we had made here, had, was running only at 50% because no raw material available. Then obviously to overcome that, we added new capex capacity. One is Jaipur, number two. Within the same premises, we added Multiwire, we made warehouse, we did cut to size, you know, we did everything else, so that we are back on the same track where we were six years ago. Now, we are back on the same area where we were six years ago. So, the basic point is that the quarries which had closed down. If they start again, we will be able to increase our capacity and get the revenue much more then what we are getting right now and if you asking for the next three years, more capex expenditure. Yes, of course, Jaipur we have plans to, which we announced, we are already doing it. Others, we are still in the thinking stage. As soon as we finalize, we will get back to you. Yes, we do have plans to expand in all the areas.



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- Nuresh Mirani:** My second question is regarding the inventory levels. Now, over the last one year, lot of businesses has been able to sell out a lot of old inventory and this is a business I think which has generally a very high amount of inventory. Yes. So, how has that been for the last one year and what do you expect even in the future going forward? Will you be able to sell off the whole inventory as such?
- Madangopal:** Yes, the last one year we focused really on the clearing on all the old inventory which is more than three years old and we were able to sell most of them in the domestic market as well, because there was a huge potential in the domestic market. So we were able to sell off in the domestic market most of the inventory.
- Sahil Kumar Arora:** At the moment we have no finished goods which are...
- Madangopal:** More than three years.
- Sahil Kumar Arora:** More than three years.
- Sahil Kumar Arora:** But with that on the new capacity, yes the finish goods again has gone up. But it is all new production I think.
- Nuresh Mirani:** Okay, so in that total inventory, what will be the split of old, even in the last three years out of the total inventory as of today, what would be the contribution of the finished goods of the recent expansions of the Jaipur and Quartz etc compared to the older one?
- Madangopal:** Right, we have a total inventory of a 128 Crores in finished goods. Out of that, Jaipur is 9.45 Crores and Quartz is 5.88 Crores. So, totally, if you see, totally 15 Crores is from the new projects, Jaipur & Quartz and the balance is from Hosur Slab and Tiles.
- Nuresh Mirani:** Thank you so much.
- Moderator:** Thank you. The next question is from the line of Manish Rathi, Individual Investor, please go ahead.
- Manish Rathi:** Congratulation on excellent set of result. I have a question on the freight cost. Have you been able to pass on freight cost to the customers?
- Sahil Kumar Arora:** As far as freight is concerned all our rates are FOB, Chennai or Mundra Port. So, it is up to the customer to bare the additional freight costs that have come in.
- Madangopal:** So, this freight extra cost is not at all company burden actually.
- Manish Rathi:** So, at the mean unavailability of containers is largely a problem and freight is not an issue.



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- Sahil Kumar Arora:** Yes, absolutely.
- Sunil Kumar Arora:** Yes, I will explain that also such a high freight rate, we are unable to push our basic materials.
- Manish Rathi:** Sir on another set of questions on the Quartz plant, and I am trying to understand it. So I believe the product will get stabilized once we add more colors into the product but what kind of margin Improvement do you expect after it, get stabilizes?
- Sahil Kumar Arora:** In doing basics and the mid-range what we're doing right now. We can see about 10-15% but like we have been stressing from the beginning, you know, till now we still do not have Chinese technicians available with us. We are not able to do the high end which is our goal because worldwide we have been known for our quality, honesty and integrity along with it also known for our stellar product selection and our product look basically. So we set up this plant with the aim of starting the basics, but moving into high-end very, very quickly, but unfortunately due to the pandemic, those ideas of course had to change but in the future as soon as possible, we look to move in to the high-end and continue to focus in that segment only.
- Manish Rathi:** Continuing on the Quartz plant as so many new Quartz plant have come, come into operations in India. Is that impacting price realization in Aro Granites or margins?
- Sahil Kumar Arora:** Yes, absolutely because the price competition is always there. But like, we have been stressing, we have been using our existing channels, existing customers, existing relationships and those customers are, you know, that trust also has valued whether you call it a brand value or so, you know, that that premium we always get over our competition.
- Sunil Kumar Arora:** We are a very longstanding relationship with them, so they prefer to buy Quartz from us than anywhere else. Of course, the price has to be whatever the market price is.
- Manish Rathi:** Okay and how do we compare in terms of quality with the other plants that you mentioned from Vietnam, or for that matter Italian plants?
- Sunil Kumar Arora:** Quality wise we have been able to make quality absolutely International standards, like Sahil was explaining that we already got repeat orders after repeat orders from our existing customers, which means they are absolutely satisfied with the quality we are making.
- Manish Rathi:** Do you think comfortable that once we are able to add additional colors, you know, the Quartz plant is going to see a peak in the margin of host profitably?
- Sahil Kumar Arora:** Absolutely, absolutely. There is no doubt about it.
- Manish Rathi:** One last question if I may. You know, how to do you plant increasing utilization in the Hosur Plant. I believe it is operating at you know less than 50% right now?



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Sahil Kumar Arora: For that, we have to wait till the quarries in Tamil Nadu restart. Like I was explaining that the Government has changed, just few months back and once the Government stabilizes and somehow we have little bit better off than this pandemic situation, labor is available, then the new quarries or the old quarries will start again and once we have the raw material marketing is not an issue for us. In recent times we have added our cut to size division also to improve the utilization of the Slab Plant. We added Multiwire and showroom so that we are able to then produce and display high-end products. So those are the kinds of steps that we have taken in the past and then like dad mentioned we have to wait for some time till the quarries can reopen and we can get good utilization within the Hosur plant.

Manish Rathi: Thank you for the opportunity Sir. I wish you all the best.

Moderator: Thank you. Ladies and gentlemen, as there are no further questions, I would now like to hand the conference back to the management for closing comments.

Sunil Kumar Arora: We thank everyone for joining us and sparing their valuable time. I hope we were able to answer whatever questions you had in your mind. In case you have any other questions, please do not hesitate to send a mail to us. We will be more than happy to answer them. Thank you very much. Thanks a lot.

Moderator: Thank you. Ladies and gentlemen with that we conclude today's conference. Thank you all for joining. You may now disconnect your lines.