



Pokarna Limited

Date: 14th February, 2024

BSE Limited, Phiroze Jeebhoy Towers, Dalal Street, Fort Mumbai - 400 001 <u>Scrip Code: 532486</u>	National Stock Exchange of India Ltd., Exchange Plaza, C-1, Block G, Bandra Kurla Complex, Bandra (E) Mumbai- 400 051 <u>Symbol: POKARNA</u>
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Dear Sir/Madam,

Earnings Call Transcripts

Pursuant to Regulation 46(2)(oa) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended, the transcript of the audio call recording of the Company's Analyst Call held on 08th February, 2024, on the Unaudited Financial Results (Standalone and Consolidated) of the Company for the Third quarter and Nine Months ended 31st December, 2023, is attached herewith.

The transcript of recording can also be accessed on the Company's website using the following link:

<https://www.pokarna.com/wp-content/uploads/2024/02/CDC2720240208151582.mp3>

This is for your information and records.

Thanking You,

Yours Faithfully,

For and on behalf of Pokarna Limited

Disha Jindal

Company Secretary and compliance officer

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Pokarna Limited Q3 & 9M FY'24 Earnings Conference Call February 08, 2024

Moderator: Ladies and gentlemen, good day, and welcome to Pokarna Limited's Q3 and 9 Months FY '24 Earnings Conference Call. 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 star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over Mr. Gavin Desa from CDR India. Thank you, and over to you, sir.

Gavin Desa: Thank you, Rio. Good day, everyone, and a warm welcome to Pokarna Limited's Q3 and 9 Months FY '24 Earnings Conference Call. On the call today, we have Mr. Paras Jain, the Chief Executive Officer at Pokarna Engineered Stone; and Mr. Viswanatha Reddy. Before we begin, I would like to mention that some of the statements made in today's discussions may be forward looking in nature and may involve risks and uncertainties.

I now invite Mr. Paras Jain to open proceedings call and share perspectives and performance and outlook. Over to you, Paras.

Paras Kumar Jain: Thank you, Gavin. Greetings, and thank you all for joining us today. Greetings, and thank you for joining us today. While you have the financial numbers for the quarter at your disposal, I'd like to share insights into the quartz surfaces industry to provide context for our financial and operational achievements.

This quarter, we've seen stable margins compared to the last quarter, with improvements over the same quarter in FY 23. This stability and improvement were driven by innovative product designs, a strategic mix of product thicknesses, and favorable forex conditions. Our commitment to expanding our product range with more stylized collections and the adoption of new technologies is unwavering. This not only delivers greater value but also aligns with our long-term strategy and immediate operational adjustments to market shifts. We are actively pursuing initiatives to cut costs, boost efficiency, and optimize material use. Moreover, we're focusing on developing alternatives that lower respirable crystalline silica content, meeting sustainability objectives and market demand.

According to the latest National Kitchen & Bath Association of America report, kitchen and bath revenues for Calendar 2024 are expected to fall by 3% year-over-year. New construction and remodelling expenditures are also projected to decline by 4% and 2%, respectively, in 2024. Despite a



recent increase, the supply of existing homes remains below a balanced market level, with expectations of continuation until mortgage rates approach ~5%. The demand for new homes remains strong, leading to a predicted price increase of 1% in 2024 and 3% in 2025. High interest rates are causing difficulties for smaller builders, thus benefiting large homebuilders.

Our industry, deeply influenced by the perception of quartz countertops as more of a luxury than a necessity, faces heightened vulnerability to economic shifts. The considerable fixed costs associated with producing quartz surfaces bring to the fore the importance of maintaining sales momentum and managing our financial resources with prudence, especially during market downturns. To navigate these challenges, we've embarked on a strategy focused on regularly unveiling distinctive designs and expanding our reach with precision. This ensures we not only sustain our sales volumes but also safeguard our profit margins.

In tandem with these efforts, we're working on diligently optimizing our capacity utilization to resonate more closely with market demand and our strategic growth ambitions. Initially, this focus on optimization may slightly compress our margins a bit. However, this is a strategic choice aimed at fortifying our market position over the long haul. We are confident that this strategy will not only bolster our competitive edge but also significantly enhance shareholder value, underpinning our commitment to sustainable and strategic growth. This approach represents a deliberate and thoughtful progression: from responding to immediate market pressures by maintaining sales and managing costs, through optimizing operations to better meet market demands, to ultimately repositioning our product offerings towards more lucrative segments. Each step in this journey is designed to strengthen our market presence and ensure our long-term success.

Looking forward, despite the short-to-medium term uncertainties, I remain optimistic about our prospects. Our flair for design, state-of-the-art manufacturing capabilities, steadfast customer relationships, and our expanding presence instil in me a strong belief in our future success. We're not merely weathering the storm; we're navigating it with precision, ready to capitalise on the opportunities that lie ahead.

Thank you once again for joining the call. I'm now open to answer any questions you might have.

Moderator: We will now begin the question-and-answer session. The first question is from the line of Dixit Doshi from Whitestone Financial Advisors.

Dixit Doshi: A couple of questions. Firstly, so during the last quarter, we have seen that how the Australia has banned the product. So are you seeing anything -- any talks or anything happening in the US as well? And my second question is regarding the current problem in the Red Sea. Are we facing the delay in the shipment and also on the cost of logistics side?

Paras Kumar Jain: Yes, So coming to your first question. See, Australia, the ban has taken place. And the reason what they have outlined is relatively different and not -- we don't necessarily agree with what has been said in the Australian ban.

When coming to the US, the state of California has already passed the regulation as to how the products with silica have to be fabricated and handled by the -- fabricators at their shops. So basically, the regulatory in the US specific to the state of California want the engineering controls and the fabrication controls to be implemented by the fabricated at the workplace, which includes like doing a wet cutting or putting the material underwater, submerged -- under the water and cutting it so that the crystalline silica does not get into the atmosphere and then back into the lungs. And also, you are supposed to where the PPE and subject employees to regular conditions and do the air monitoring in the workshop.

So we don't -- to the best of our knowledge and abilities, what we have currently of the situation, we don't see that US would be going in the path of Australia because the problem is not with the product. The problem is the way it is processed at certain shops. So I'm not saying that all the fabricators don't process it right, but there are certain fabricators who are still using the rudimentary techniques to fabricate it.

If you are fabricating the product under the wet conditions and have the right engineering controls and the PPE and the health conditions been monitored regularly, we don't see any challenges. Because Quartz is not the only product which has crystalline silica. Crystalline silica is there even in natural stone. It's even there in certain engineered surfaces like porcelain. It is there in concrete work tops.

So by taking a stringent action against a particular product does not solve the problem, the problem has to be addressed at the fabrication level. That is where California has taken a right approach and they have gone about enforcing the occupational health and safety has a rule for fabrication shops. So that's my take on your first question.

Now coming to your second question on Red Sea, definitely, yes. Red Sea has not only caused some chaos in the marketplace, it has also caused some incremental cost for both customers and also for inbound logistics for us, like we import a lot of material from Europe for raw material consumables and other stuff. So all the freight costs have gone up. The transit time has gone up. And because it was relatively sudden when it started, it also created some mismatch, so certain things had to be airlifted and stuff coming on to the water.

And then the customers also are saying that the costs have almost doubled. So they are -- some of them are delaying the shipments to see that the situation -- when it normalizes, if they can come back to the normal levels. So we also -- based on the understanding we have of the industry and with the discussions we have with the liners and the forwarders believe that red sea situation may not really be a long situation, and we expect that next 2 to 3 months, the situation to normalize.

Moderator:

The next question is from the line of Shikhar Mundra from Vivog Commercial Limited.

Shikhar Mundra:

I want to understand about the demand scenario. How is it looking right now? Do you see a revival in demands in the US market?

Paras Kumar Jain:

Do you have any other question, Shikhar, or that's the only question you have on the demand side?

Shikhar Mundra: Paras, I want to understand about the Indian markets also like how do you see a market developing in India?

Paras Kumar Jain: Okay. So on the demand scenario, we think that in a quarter or maximum 2 quarters, we expect the demand to come back. We just looking optimistically to the US elections getting completed and the demand scenario has also started picking up. As the new home sales are improving, I think as the demands for countertops in those houses come back, things should become normal. So on the demand side of it, we expect in a quarter or another, we should be seeing a positive upturn in what is our sense as of now.

We see that hospitality industry has definitely picked up as we were projecting in the past because it was lying low for a long time. But recently, the activities of refurbishing the hotel rooms or breaking the new ground, that picking up well.

Coming to -- while the other markets continue to be growing decently well for us like Russia, Mexico, Canada and certain markets in Europe are doing good. Now coming to the Indian market, yes, Indian market is definitely an important market for us, not only being in the backyard and their home country. We are taking certain steps now to increase our presence in the local market, and we're tweaking our strategy to go beyond what we were currently doing.

Within that next couple of years, we'll be having a strong presence in the local market. And we're building an experience center also in Hyderabad, which can be within the reach of the architects, designers and the retail consumer.

And in line with this, we'll also have more touch points available across the country, either directly or indirectly through a channel partner in medium to long term. So focus for India, India market is definitely one of our top five markets to focus on, and we are allocating increased budgets and the management time.

Shikhar Mundra: But don't you see the pricing can be an issue is -- is the Indian market ready to accept our premium products because...

Paras Kumar Jain: The pricing is a perception. And if you are good at addressing the perception, you can still get the price you want to give. Now do you want to chase volumes or you want to chase value or you want to create a brand equity is a part of our strategy? So while I expect your viewpoint, but I believe that there is a way to address all the perceptions. And if needed, we are willing to tweak a lot of things in the process.

Moderator: The next question is from the line of Shreyansh Jain from Svan Investments.

Shreyansh Jain: Sir, my first question is, we were made to understand that a player has shut plant in Israel and there were some supply issues into the US. So I just wanted to understand have you benefited from that? And just on the Q-o-Q side, you'll be seeing some -- So what is your perception of how have we done Q-o-Q because you were expecting slightly better numbers in terms of your sales?

Paras Kumar Jain: So the Israel manufacturer who has shut its plant typically operate in a different segment where we operate. And they are looking at low-cost solutions for their products and which is not the place where we operate. So our operations are relative in a different set of customers and categories of pricing.

So we have not necessarily benefited from their shutting down the manufacturing facility in the U.S. or Israel which has been publicly announced. So I don't think anything much has contributed to our success or otherwise because of something happening in Israel.

Shreyans J: Okay. And my second question is, sir, what would be your volume growth Q-o-Q or degrowth?

Paras Kumar Jain: As we have always maintained, we actually do not give operational metrics out. But what I can tell you is that we have capacity, which we can still absorb. And the reason for us -- while you would have done some factoring of Q-on-Q growth, but I've always consistently maintained that we are at least a couple of quarters away from seeing a bounce back in the volumes.

So how do we counter the bounce back in the volume in the short term was our strategy of introducing new products. That's the reason you see that while the volumes have not significantly grown compared to what has happened in the quarter before, the margins are still intact because we are not chasing growth at the cost of margin yet, and we believe that there's still about a quarter or two away from the volumes to start picking up.

Shreyans J: Okay. And sir, my last question is on the India market. So you mentioned that there are various options that one has to consider. So just wanted to understand what is our strategy, where do you see Pokarna? Do you want to chase volumes? Do you want to create brand equity?

And the other part to this question is we're seeing houses with Rs.30 crore, Rs.35 crore selling in India. So are we looking at connecting directly with the developers and getting them onboard? How are you thinking on that part of the business?

Paras Kumar Jain: We have a go-to-market strategy for India markets. So India, of course, if you look at an Rs.35 crore house, what is the cost of a countertop in the kitchen? Maybe Rs.4 lakh, Rs.5 lakh. So not necessarily Rs.35 crore is translating into Rs.1 crore for a company like us because our product has application, which is predominantly a vertical application or horizontal countertop. So it typically addresses that our share in the high-end dwelling does not necessarily mean that we'll have 20%, 30% or 10% of what the cost of production or manufacturing of that construction with that house could be.

But having said that, we have done a lot of high-end houses in India. We do several projects like we have done large banks, U.S. banks, offices in India. We have done large projects where we've done about hundreds of villas, high-end villas where our product has been used as a kitchen countertop and they involve claddings. We are also working aggressively to work with certain prestigious developers to bring our product to their projects, apart from expanding our reach in the domestic market to kitchen and bath dealers and selective retail channel.

So we don't want definitely to be a product, which is available at every nook and corner because we are working to create a product which is desirable and available with dreams and it's not easily -- it's a luxurious product. It is not an off-the-shelf product like a tile that you go to 100 tile shops and you'll find the same product at 100 tile shops. That's not our market strategy. So we have a different go-to-market strategy, which is largely in line with what we see the established players doing in the Europe and U.S. markets.

Shreyans J: Okay. Thank you so much, sir. All the best.

Paras Kumar Jain: Thank you.

Moderator: Next question is from the line of Akshada Deo from Vivog Commercial Limited.

Akshada Deo: I just want to understand the product market mix basically, how American market is doing? Is it doing better than your other markets? Or if there is a specific market which is driving growth and any market, which is taken back?

Paras Kumar Jain: See, basically, we are the largest exporter into the U.S., of quartz surfaces, and U.S. continues to be our primary focus. So while there could be a temporary few points here and there in the U.S., but U.S. continues to be our main market. Our growth in other markets like Canada and certain parts of Europe, Mexico is growing quarter-on-quarter, and we are quite positive about it. And we believe that our presence in the U.S. with our distributors and our strong relationship with our customers are only private label and the new markets what we are tapping will definitely give us a good positive growth in the next couple of quarters.

Akshada Deo: Okay. Can you tell me the percentage of revenue that you're currently getting from America?

Paras Kumar Jain: As I said in the previous calls also, 90% of our revenue comes from America.

Akshada Deo: Okay. And you are planning to launch some new designs in America, as you mentioned in the last con-call as well. Where are we on that front? Can you see any visibility of when you can launch the same?

Paras Kumar Jain: We've already launched. And as I covered in my opening remarks, we continue to launch. So the next launch is scheduled in end of this month in Las Vegas at KBIS.

Akshada Deo: So what percentage of – or even if it is in your own internal computations, are you expecting it to add to the margins in a significant way by next year?

Paras Kumar Jain: The new product launch always will add to the margins. Now how successful the new launch would be, it takes six to nine months for us to figure out. So while what we have done in the past is already reflected, and I hope the same would continue in the future as well.

Akshada Deo: Because in the previous con-call, you mentioned you're taking it month-on-month basis. So I was just wondering if you're seeing a larger future at this point in time.

Paras Kumar Jain: For next quarter or two, I continue to have the same view what I've had in the past, but I have a very strong view that after a quarter or two, the forecast or the visibility would be relatively longer term.

Akshada Deo: Okay. And my last question was on the capex. Where are we on that front? Is it done? And should we see results in next quarter or so as we predicted before?

Paras Kumar Jain: I don't think we predicted the results to come in next quarter or so. The shipments are under -- are already on water and certainly would be leaving it. So we expect that Q3 FY25 or Q4 FY25 is when both our capex'es of two different technologies to commercialize. So we have to start installation of the machines and then the hot run, cold run have to get completed. The R&D has to get completed. So I think I would say that probably last quarter FY25 is when we'll have a very large visibility to give you as to when will the revenue start growing from that capex.

Akshada Deo: Okay. And last quarter, you also mentioned about the US Bath Association. Were you expecting a 12 to 18 months in the lag period? Do you have any update on this front?

Paras Kumar Jain: I think you're referring to National Kitchen & Bath Association of U.S?

Akshada Deo: Yes. Yes. That's right.

Paras Kumar Jain: So basically, How typically it gets completed between 12- to 18-month period, that cycle cannot be contracted just because the market has started picking it because there is a construction process underway that you start putting foundations and then roofing comes and then the interior comes. And Counter Top is one of the last members to enter the house. So I believe that the period of 12 to 18 months in the study, house starts getting constructed, that's when the demand for the Counter Tops would come. So I don't know what your question is, but that was the context in which I made the comment.

Akshada Deo: Okay. Thank you.

Paras Kumar Jain: Thank you.

Moderator: Thank you. The next question is from Hrishikesh Bhagat from Kotak Mutal Fund.

Hrishikesh Bhagat: Yes, Morning. So just on your comments about potential improvement of visibility six months down the end or nine months down the line. Now if I look at it going forward, is there any scope for us in -- you also mentioned that we have a fair bit of capacity also. So fair to assume that the operating leverage benefit is yet to kick in assuming the demand scenario betters from here on? And so to that extent, probably margins -- their reasonable scope of margins also to improve from here?

Paras Kumar Jain: So, if you pay attention to the comment I had mentioned, while technically, what you said that operating leverage would kick in as the volume goes up, yes. If we are able to add more of the mid- to high-end design, which we recently launched and they get -- which is already in the market and they start picking up, then the additional operating leverage would come up.

But if you look at one of the comments which I made that we are also working on diligently optimizing our capacity utilization to resonate more closely with the market demand and our strategic growth ambitions. So in the short term, it would slightly compress our margins, but we believe that, that compression could actually open up more doors because we may add some new customers.

Where we'll be able to pushing all these mid- to high-end products. So once this mix of capacity utilization with certain new customers getting on board and the new design is picking up, once this mix gets stabilized, the operating leverage will definitely peak out from what you have seen in the latest peaks.

Hrishikesh Bhagat:

Okay. Okay. The second question is just related to this regulatory headwinds are probably related to safety -- health, safety and health regulation. Specific to the US market, is it going to be a state specific? Or do you think what happened in California? What has passed, it will get in the sense, replicated in other states? Or do you think it will be state-specific regulation?

Paras Kumar Jain:

See, America is a different type of a country. So predicting what they do -- a type of doing crystal gazing. But with our experience and understanding, usually the certain regulations are at the state level and certain regulations are at the federal level. So what California has done is actually a good thing.

And we would definitely want it to be replicated in different parts of the US, whether through a state initiative or a federal initiative because that is making sure that the fabricator workshops are actually following the OSHA guidelines. So I don't think it really impacts anybody in the industry as a manufacturer as long as the OSHA regulations are compliant by the fabricators.

It is not a negative -- California regulations are actually regulating the fabricators and not the manufacturer.

Hrishikesh Bhagat:

I got -- so I'm not saying it's negative. I believe it's definitely in a good direction, a great direction. Just a perspective here is that do you feel that are any other states pushing for much stringent regulation in line with the Australian? That's the question was.

Paras Kumar Jain:

Usually, what we have seen with our experience in US and also what has happened to other, the first state is California, and they have already started the process, and they are going in the right direction. So whether it was P65 warning to -- you pick up anything you buy in California, you will see a warning behind it because they have already taken.

Not only our product even if you buy a toothpaste, you may probably end up seeing a P65 warning. If you buy a phone also, you may see. So California has got a very stringent regulations in the way they look at things. So I think the toughest state has taken a right position, and we believe that other states would do the same.

Moderator:

The next question is from the line of Pritesh Chheda from Lucky Investment Managers.

Pritesh Chheda: Sir, I'm sorry to ask this again, I missed what is the update now on that changes in Australia with respect to the product?

Paras Kumar Jain: So basically, engineered stone in Australia has been banned. So if it is an engineered stone, which has got crystalline silica, then the product is not supposed to be fabricated in Australia. Of course, you can cut it in India and install without creating any dust in Australia because the product when it is installed, does not emit any -- gases for that matter and does not give out any crystalline silica. That's the update on the Australia side of it.

Coming to the California side of it, the regulators have passed the regulation that the fabricating shops have to process all the materials, whether it's -- not only Counter Top but also natural stone counter tops, porcelains, quartz, everything which has got silica in it to be processed -- the crystalline silica to be processed in a particular way, like doing a wet cutting or submerged cutting and monitoring the air quality, ensuring that the employees are wearing the personal protective equipment.

All those things have been passed in California.

Pritesh Chheda: So now in Australia, the market is set with cut products all over the world going into Australia or the engineered stone sales itself have declined?

Paras Kumar Jain: We don't actually sell to Australia so I don't have a complete picture of what's happening there. But what I can tell you is that there are different substitutes available in the market, which may be taking it or maybe people in future may start taking the fabricated products. So I currently do not have more visibility of what's cooking up in Australia.

Pritesh Chheda: Okay. And my last question is with respect to -- for us in terms of the active utilization improvements, you're mentioning that all these new designs that you've put up and whatever is the market status in terms of demand, you see things changing after a couple of quarters. That's what you have mentioned, right?

Paras Kumar Jain: Yes. So I believe that demand uptake probably would come in later Q3 of the calendar. So that's what our assessment is and that's in line with whatever we've had discussions with our customers and also with the U.S. election getting passed by at that time and little stability coming to the market. And I assume that I think fed rates, as they have been paused, we'll also continue to pause with more time and then the housing market starts picking up, and whatever uptick has happened in last quarter or so would also start giving out more visibility for the market players.

And then also the inventory stabilization would have largely been completed, which was happening. And the red sea situation would also be behind all that.

Pritesh Chheda: Okay. Thank you very much.

Moderator: Next question is from Anuj Sharma from M3 Investment.

Anuj Sharma: Yes. Thank you for this opportunity. Few questions. One is in terms of machine technologies apart from Breton. Are there other Chinese competing technologies or other technologies which are producing as good as the quality as the ones Britains are? How is that shaping up in terms of technology?

Paras Kumar Jain: Yes. So coming to your question. So basically, Breton was the original inventory and the holder of this technology of producing Bretonstone, also called as engineered stone of quartz surfaces. So over a period of time, certain Chinese have copied, the technology and created some replica, based on our understanding and our belief, we believe that Breton is the best in the sector and the innovation and research what they are bringing to the table because what Chinese are copying is something which was developed by Breton on maybe 5, 10 years back.

But what Breton is now doing probably is relatively new and different, and the way the product comes out completely as a fully manufactured, one, we believe that the product is differentiated with the way it is processed to the way it is cured, the way it is polished. It's substantially different from what would a typical non-Breton factory will do it. So there are people who understand the difference between a Breton factory material and a non-Breton factory material. But then there is also a set of people who believe that material is material, and there is no differentiation technology. But we continue to have a strong belief that Breton is differentiated from the non-Breton.

Anuj Sharma: Sure. That's helpful. My second question is in terms of supply from Breton expanding its output of machines to many other suppliers. So how is the supply from Breton machines increasing over the next 1 to 3 years, some outlook there?

Paras Kumar Jain: Breton will continue to sell the machines to whoever is able to pay them. So while that does not mean that it is off-the-shelf technology or ready to buy a product. So typically, Breton product can take, a Breton plant can take anywhere between 15 to 24 months before it is commercialized, and we have not seen any reduction in that time line. So I don't know how many plants they have sold in which part of the world because that's not our business. But what I can tell you that we have not seen any reduction on the lead time for a Breton plant to be commercialized.

Anuj Sharma: All right. And my third question is on one part is the machine. The second part is the design. Now these designs, are these institutionalized or are these purely a function of people who work in the organization? I mean can there be a chance that kind of competitor pulls over a few of these people and he's able to replicate those designs? Or is it more institutionalized than that? The ability to create new or newer designs? Some thoughts there.

Paras Kumar Jain: Yes. I think the copy cats will exist everywhere. People may come, people may go. So that does not deter us because this is not something which is new. So your ability to think differently, I think we have blessed to the humans and humans can think always differently. So while some people may come, some people may go, but the thought process, the flair for design is in our DNA, and it's not just DNA in a 1 or 2 person.

It is in the DNA of every team member. So I don't think people moving or competitor doing some unethical practices to get hold of certain designs in an illegal way would create any long-term debtor. There could be a short-term nuisance, but we know how to handle that legally, and we are also working on intellectual property protection in the long term.

Moderator: Thank you. Next question is from Harshil Shethia from Ladderup Wealth.

Harshil Shethia: If you can just help us with what is the capacity for port services as well as granite what is the utilization level currently?

Paras Kumar Jain: I think I can tell you partly our capacity is close to 20 million square foot in quartz and we have capacity, which can be utilized further on the quartz side of it because the markets have been a little tepid at this time. And in a quarter 2, we believe that markets will bounce and we'll be able to come probably to a better capacity utilization. On the granite, I think the numbers are self-explanatory, and there's a good amount of capacity to be utilized.

Harshil Shethia: Right.

Moderator: Thank you. The next question is from the line of Amey Chheda from Banyan Capital.

Amey Chheda: Yes, thanks for the opportunity. Just if you can throw some more color on the competition that we are facing in the U.S., which are the major countries we are seeing competition from?

Paras Kumar Jain: So basically, in the U.S., our business model is two-pronged. One is that we have our own distributors who sell under Quantra brand in certain states, but not across the U.S but certain specific locations in specific states.

And then we have our customers who are large brands in the U.S. with locations almost spread throughout the U.S. for whom we private label the product. So when we do a private labeling of the product, we typically are not competing with any of these brands because they actually are customers, but they would be competing with all the big boys of the industry who may be manufacturing their products in America themselves or bringing the product from Europe or certain parts of Asia.

So when it comes to Quantra as a brand, which is we compete with lot of local brands of the U.S. who are bringing in the product again from Asia or Europe or within the U.S. itself, to name a few, like all the big boys, you name it like Silestone, we compete with them. We compete with certain other players coming out of Europe.

Our competition is -- we don't consider our friends from Southeast Asia or from India as a competitor because their products are on a different footing compared to our products. So while they may be value engineering us saying that, okay, this is from Quantra, we have a substitute available from my portfolio that could be relatively price low. So we are not actually chasing those type of customers because customers are largely in the mid- to higher-end servicing, but there's a large market at the bottom of the pyramid that is something which we are not chasing because it's a bottomless pit out there.

Amey Chheda: Okay and has this competition increased in the last couple of quarters or maybe the last two or three years?

Paras Kumar Jain: Yes, because I think, I believe there is definitely an excess capacity, which has been built up in India, so people don't know what to do and how to sell the product. So they go around selling their product with our understanding what the market needs or what the market demands. And when they have a lack of understanding of the approach towards the market, that's when they create certain -- I don't know how to put it, but a place which is relatively confusing for some.

But we have been used to all this type of things because even before when we were competing with Southeast Asian countries or European countries, there were certain players who were working on a different type of marketing strategy, but we could effectively handle them with our own strategies of going to the market with a unique products, stronger relationships, standing with the product and being unique completely.

So basically, we are trying to ring-fence our competition and trying to create a blue ocean type of a strategy rather than being on a red ocean side of it.

Moderator: Thank you. We'll take that as the last question. I would now like to hand the conference back to the management team for closing comments.

Paras Kumar Jain: Thank you so much, everyone. I look forward to catching up again on the year-end numbers. Have a great day. Thank you so much.

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