Pokarna Limited

Date: 16th November, 2022

BSE Limited,
Phiroze Jeebhoy Towers,
Dalal Street, Fort
Mumbai – 400 001

Scrip Code: 532486

National Stock Exchange of India Ltd.,
Exchange Plaza, C-1, Block G,
Bandra Kurla Complex, Bandra (E)
Mumbai- 400 051

Symbol: POKARNA

Dear Sir/Madam,

Sub: Transcript of the Analyst/Institutional Investor Meetings/ Earnings Call under the SEBI (Listing Obligations and Disclosure Requirements), Regulations 2015

Reference the captioned subject, this is further to our letter dated 3rd November, 2022 and 10th November, 2022, with respect to the Q2FY23 Earnings Con-Cal with respect to the Unaudited Standalone and Consolidated Financial Results of the Company for the Second Quarter and Half Year ended 30th September, 2022.

Please find enclosed the Transcript of the aforesaid Earnings Call.

This intimation is also being uploaded on our website at www.pokarna.com.

This is for your information and record.

For and on behalf of Pokarna Limited

PIYUSH KHANDELWAL
Digitally signed by PIYUSH KHANDELWAL
Date: 2022.11.16 17:04:37 +05'30'

Piyush Khandelwal
Company Secretary & Compliance Officer

Encl: a/a

POKARNA LIMITED
India's No. 1 granite company

Pokarna Limited

Q2 FY 2023 Earnings Conference Call Transcript
November 10, 2022

Moderator: Ladies and gentlemen, good day, and welcome to Pokarna Limited Q2 and H1 FY'23 Earnings Conference Call. Please note that this conference is being recorded.

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

Gavin Desa: Thank you. Good day, everyone, and a warm welcome to Pokarna Limited's Q2 and H1 FY'23 Earnings Conference Call. We have with us today Mr. Gautam Chand Jain, Chairman and Managing Director; and Mr. Paras Kumar Jain, Chief Executive Officer of Pokarna Engineered Stone Limited.

I trust most of you have gone through the communication and the results mailed to you earlier. In the interest of time, we would like to start with Q&A immediately. So, I'd like to hand over to the moderator to open the floor for Q&A. Over to you, Rutuja.

Moderator: The first question is from the line of Pranav from Equirus Securities.

Pranav Mehta: Sir, I wanted to understand on the demand side, particularly in the U.S. market. So as of now, the hard surface product, the demand seems to be resilient in the U.S. market led by the home improvement theme. But how do you foresee this trend continuing going forward, particularly with the new housing construction getting impacted because of the high mortgage rates? That was my first question. and the other question is, by when do you think that the resin prices will start correcting, which will help in your improvement in the EBITDA margin side?

Paras Jain: See coming to your first question on the demand scenario in the U.S. in light of inflationary pressure and the mortgage rates going up, see, basically, we are actively monitoring the environment. Inflationary pressures and the higher interest rates are definitely resulting in a financial and psychological barrier for the building and building materials industry. While the current statistics of the hard surfaces, which are coming from the U.S. may not completely be reflective of the dynamic demand scenario for various reasons

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as people imported much more considering that certain companies from India would be subjected to the duties and all that scenario. But I definitely think, there is going to be a little slowdown in the demand scenario, especially in the new home construction and to some extent, even in the commercial.

We believe that remodeling will continue to be relatively better than these two segments. So that's the reason, If, you look at our communication, we've said that we are looking at introducing some new designs, which are at a higher price bracket and are relatively more resilient than the commodities, which typically go into the specification and the commercial projects. So that's one way of looking at what we are trying to use as a tool to mitigate a certain amount of pressure coming from the demand side.

Secondly, on the resin prices, since the resin is a key raw material, the resin prices have started coming down. And I think quarter-on-quarter basis, we think that Q3 prices will definitely be far better than Q2 prices what we had because, again, the key raw materials like styrene acrylic, maleic and all other ingredients have typically cooled off a little. So, I think over the next quarter or so, the resin prices should come to a reasonable level starting from this quarter onwards.

Pranav Mehta: Sure, and sir, my next question was on the imposition of antidumping duty. Investigation is going on. So, any news that you've heard on that front for the rest of Indian companies?

Paras Jain: So, basically, as of now, Department of Commerce has given December 6th as the tentative date for announcement of the duties for the first period of review. Again, Department has about 30 days possibility of extending it and taking it all the way to second week of January. So, if department does not decide, then probably second week of December, things should be clear. If department decides to take extension, then all those companies, which are impacted by this order, we'll get to know about the Department's stand in second week of January '23.

Moderator: The next question is from the line of Dixit Doshi from Whitestone Financial Advisors Ltd.

Dixit Doshi: My first question is, as you have mentioned that from Q3 onwards, we are launching some new design products. Is it fair to assume, let's say, that this new design products will have a better margin compared to the basic product, which we were producing in Unit 2? And also, with the resin prices coming down, let's say, in next couple of quarters, can we come back to our margin levels which we used to do in the past?

Paras Jain: See, basically, exotic designs definitely have a relatively higher gross margin compared to the basic products, which we produce. That is definitely one thing. But then typically, exotic designs also have a little gestation period by the time you will stabilize them in the commercial production side of it. So, we've already taken the orders, started producing it. And we believe that through this quarter, we'll be able to stabilize and start seeing that benefit probably by the end of this quarter or early next quarter. And as with any other product, if the key raw material prices come to a reasonable level, definitely, it helps you to improve your margins overall. So that's what we believe.

Dixit Doshi: And along with the resin prices, even the logistic cost will help?

Paras Jain: Yes. To some extent, the import logistic cost will help, but then the local logistic costs with the diesel rates and all is staying at a higher level may not really give that benefit. So that is one side of the thing. So, I think the overall input logistic cost will definitely come down and we are seeing that the peak rates coming down. That's something which we already started seeing.

Dixit Doshi: Okay, and my second question is can you mention about the utilization level at the Unit 2?

Paras Jain: Unit 2 utilization level during the quarter was very close to the optimum.

Dixit Doshi: Okay. Close to optimum. Okay. And let's say with not very optimum product mix?

Paras Jain: Yes. So, see you have to keep in mind that, as I said at the beginning of this conference, that demand scenario is a little muted now. So, one has to consider overall factors while we start ramping up or introducing new design. So, introducing new design is one of the key features which we have taken to actually offset the margin decline, which can happen either due to the muted demand or due to the raw material prices not cooling down. So, I think, overall, the situation is little on lower side. But I think that's what the global building material industry is seeing now.

Dixit Doshi: And my last question is on the domestic side. How much would be the sales for H1 and how it is performing?

Paras Jain: See, domestic is definitely, as I always maintain that compared to our export exposure is miniscule. But we are seeing quarter-on-quarter progress there. Right now, we are in our 120 stores. And now we are also expanding to other cities in India as well. But India journey is a little longer because we are at top of the pyramid. So, it's not going to be definitely like a commodity run what you see on the tiles or other quartz players in India.

Dixit Doshi: Yes. Can you mention the sales figure?

Paras Jain: It's not a big number.

Moderator: The next question is from the line of Sachin Kasera from Svan Investment Managers.

Sachin Kasera: My question was on the revenue on the quartz business. So, in the previous question, you mentioned that we are more or less close to operating at optimum utilization in Unit 2. And if we see compared to Q1, our revenues are lower in September quarter. And if I understand that in June, we were still not operating both the units at full capacity. So, is it that Unit 2, we have seen improvement in utilization versus June and Q1 has slowed down? Or is that we are seeing some significant correction in terms of realization?

Paras Jain: So, it's a mix of both basically. If you recall, we've been maintaining that Unit 1 was having a price level in terms of realization lower than what we had in the other unit. So basically, the product mix typically drives the entire realization and the margin side of it. And then as I said that there is a little slowdown in the market as well. So, both offtake and this together is responsible for a marginal decline basically.

Sachin Kasera: So, both units you mentioned that Unit 2 worked at optimum utilization. Even the Unit 1 worked at more or less optimum or that was suboptimal?

Paras Jain: No, Unit 1 is at the optimum level.

Sachin Kasera: So am I right in saying that both the units have obtained optimum utilization during this quarter?

Paras Jain: Yes, very close to optimum utilization for Unit 2 and Unit 1 is at the optimum.

Sachin Kasera: Sure, secondly, can you give us some sense, you mentioned that the raw material prices have come down. But if you can give us some sense, whatever type of correction you are seeing like 10%, 12% or 20%, that would be very helpful?

Paras Jain: I said about key raw materials, which is resin, not as raw material in general because other raw materials typically continue to be still stronger. But resin is one of the key raw materials in the production. So, we've seen a decline of about 15% happening in the prices. And we believe that another 10% to 15% is in store.

Sachin Kasera: And how much typical resin would be of our total raw material cost?

Paras Jain: It depends upon the formulation, which is proprietary. So, I'll not be able to give you an exact number on the percentage because that clearly gives you the chemistry.

Sachin Kasera: Sure. And how is our pricing formula with the buyers in the sense, is it a pass-through? Or when it goes up, its impact on our margins and it goes down, we are able to retain some benefits?

Paras Jain: The raw material prices are not pass-through typically. So, we have a fixed pricing mechanism largely. So, whether it is a foreign exchange fluctuation to key raw material prices, there is relatively a lower cushion to actually go and negotiate. So that's the reason you see that the overall EBITDA or the other margins got a little impacted because of inability to do pass-on this.

Sachin Kasera: Sure, but if you see in the last 3 quarters, the currency has almost depreciated by 10%. So, has that ensured that the currency is not only not too much pass-through? So ideally that should have got reflected in terms of our margins and better realizations in at least local currency? Or is it that we have certain hedges and hence, the benefit of the rupee depreciating will be visible in subsequent quarters?

Paras Jain: See, what happens is, typically, we also have a borrowing in dollars. If we are going to do a mark-to-market basically, so that notional adjustment typically does not give you the complete benefit out of the rupee depreciating.

Sachin Kasera: Okay, but I thought our borrowings are Rs.400 crore, and our exports are close to Rs.800 crore.

Paras Jain: Yes. But then you have to do a mark-to-mark on quarter basis, right? Rs.800 crore is going to be on the year-on-year and Rs.400 crore is constant all the time.

Sachin Kasera: Okay. So, which means in the next quarter because now at the current level, that has already been mark-to-market, but we'll continue to see the benefit from Q3, Q4 because as we discussed that every quarter, you'll see the benefit of the currency appreciating.

Paras Jain: See, currency is something which I think both of us if we comment can be sort of a crystal gazing. So, whatever happens on the currency side, whether it is rupee appreciating or dollar appreciating either way, I think that is something which I will be able to only comment once we are into the quarter and reporting.

Sachin Kasera: No, that I understand. The thing is if the rupee remains at the current levels, then in the last 2 quarters, the depreciation has been compensated by the correction on the loans that we are having. Going forward, if rupee remains here, then we should see some benefit on the margin because of it.

Paras Jain: If the constants are resumed as you proposed, then yes, what you say is a high probability.

Sachin Kasera: And the last question is on the debt reduction. We have seen some reduction in debt in H1. Can you give us some more sense on what type of Capex we have for the full year and what type of debt reduction you are planning in second half?

Paras Jain: As informed last time because of that annual repayment is Rs. 25 crores. Out of that, we paid in actually INR 12 crore. But next 12 months and actually the repayment liability is Rs.35 crores.

Sachin Kasera: Okay. And what is the full-year Capex guidance or plan that you are having in terms of the overall spend?

Paras Jain: So right now, we don't have a very large Capex plan in terms of expansion. What we have is a little just completing certain aspects of already work in progress, which is there. So, we'll not really have a very large Capex coming in next 6 months.

Sachin Kasera: I think you spent something closer to around Rs.30 crore in H1.

Paras Jain: So that was basically existing work in progress, which got capitalized. So, I think probably we can tell you what is the balance work in progress that can be limited.

Moderator: The next question is from the line of Hrishikesh Bhagat from Kotak Mutual Fund.

Hrishikesh Bhagat: The first question is related to the comment in PPT, where we spoke about the correction in freight and that augurs well. So just wanted to understand, will that also flow through in our margins? Or that is largely borne by the clients, so not much of an impact?

Paras Jain: So basically, this has been a double whammy if you look at for the trade. What has happened almost depending upon the route which the ship was operating, in the last 3 months, the prices have corrected anything between 30% to 60%. So, the customer is sitting actually on an inventory, which is on the freight side, probably 60% more than what we can currently take it from India.

So that is what is impacting them also because already the inventory is sitting with them. They're already seeing a loss sitting on that in terms of the shipping rates. So, while the sea freight is typically on the export side a pass-through. On the import side, it typically helps us because that is something which is our cost. So, while it completely passed through, but it also has other effects that customers typically are getting subject to a certain level of stress because of certain fall in the shipping prices.

Hrishikesh Bhagat: The second question is on the granite business. I know we generally used to comment that it's a fairly steady state business. But clearly, the quarterly volatilities somehow do not seem to indicate the steady-state business. So, if you can give some highlight in the sense what's happening on the granite side that's creating so much volatility on the sales front?

Gautam Chand Jain: The bigger volume in turnover comes from blocks. And China, which is the major buyer for the blocks is in bad shape even today, in fact, worse than earlier it was. So, there is no shipping happening, no sales happening to China and no buyers are coming for additional markets. So, till some of those situations improves in China, we are sitting on the stocks inventory but unable to sell them because of the Chinese problems. We don't foresee any bigger turnover coming up from the slabs business, which eventually happens with American market because the demand for granite is day by day going down and the whole market is moving towards Quartz.

Moderator: The next question is from the line of Pratik Singhania from SageOne Investment Managers.

Pratik Singhania: Sir, so my first question is with regards to this duty, which is proposed to be implemented, say, in November end. So, what kind of a scenario you paint given speaking to your distributor that once this antidumping or CVD, however, you want to name it, gets implemented, then export from India to U.S., how it will get affected? And how we stand to benefit or lose out of it?

And my second question, in terms of cost of resins, you said that it is off 15%. So, 15% is from the peak, or you would say 15% from the Q1 or Q2 average resin prices, which you would have incurred? This is second question. Third question is with regards to freight also, just similar to the 30% to 60% comment that you said. I wanted to know, in comparison to the average freight cost that you would have incurred in, say, Q1 for our sales, Q1 or Q2, how much has been it further came down as of now currently? So, these 3 questions, sir.

Paras Jain: Okay. So, coming to your first question on the duty, as I said at the beginning, basically around December 6th or January 6th, depending upon what the U.S. Department of Commerce decides to take, would be the time when the duties would come out. If you look at 2 scenarios. One is a scenario that Commerce actually upholds what it already did it and does not want to change its position in the final. In that case, typically, around 50-plus companies which are in that bracket would typically get impacted because the cash deposit rates would undergo a significant change, which typically a U.S. customer is supposed to deposit to clear the goods. Those companies typically, theoretically, will have challenge in shipping out because their rates can be anything between 323% to 162%. So that is one scenario.

The other scenario is that out of all this 51, probably 50 comes out because they are presenting their arguments to the DoC and DoC says that some companies are impacted and there are 50 out of it, then typically, more or less, the industry situation becomes normalized. So, in that case, U.S. customers typically will not have significant challenge what they would have had, had all the 51 companies got into that trap.

But then it also depends upon the fact that the order is limited probably to the 51 companies who are part of this review. And of course, Pokarna is excluded from that review, and we are not impacted by that. But then there are other Indian companies who are not impacted by this because they are under a different basket of all other exporters. So, they may not get impacted by these duties and they may probably get a spillover of business from some of these companies who may be impacted by the order. So, this is a very peculiar situation. I think only once the order is out, more comments can be made. But this is how it could pan out to be. Now coming on to your cost of resin, yes, from the peak level, we have seen a 15% decline. So as things stabilize, probably we can see a little more coming from there.

Now coming to your third question on the fleet cost. Yes, there was a time when a ship to New York would have probably cost you anything about $10,000, $11,000 was also a time. Today, probably at some $6,000 and sometimes probably at $5,000 levels, you are able to get a product shipped out on the East Coast. The West Coast states where we don't typically have a very larger shipments out have dramatically fallen. There was a time when we looked at a rate of $12,000, $14,000. Now the rate of $3,000 have come into place also in some locations. So that is how the freight costs have actually behaved, dramatically causing a little stress on the existing inventory and typically also on the new demand as well.

Pratik Singhania: Okay. Sir, can you give me a trend about the resin prices consumed per kg for Q1, Q2 and currently, so that we can get exactly how it is shaping up?

Paras Jain: Basically, as I told earlier, giving you an exact metric would be a challenge because it is part of our chemistry. But what I can tell you is that resin is a substantial component of our raw material prices. So, any movement there would typically get reflected in the margins directly.

Pratik Singhania: If you can, sir, if not per kg, if you can, say, take Q1 as a base of 100, index at 100 and then if you can just guide us if INR100 was the base in Q1, then Q2 average would be how much? And currently, it would be how much?

Paras Jain: Typically, I'd rather give you a different scenario. I would say that at some point in time, we used to buy at Rs.100. At some point in time, maybe last 12 months to 18 months, we started buying at INR200. That was the fluctuation.

Moderator: The next question is from the line of Manan Shah from Moneybee Investment Advisors.

Manan Shah: What would be the pricing differential between the premium design versus the basic design? Would it be 10%, 20% higher? And what sort of a mix would we endeavor to achieve, say, over the next 2, 3 years between the basic and premium? And what would this mix be currently in both the units?

Paras Jain: See, the price difference can be as large as even 100% between an exotic design and a basic design for various reasons because the cycle times, the chemistry getting involved and the design aesthetics and there is host of other facts. So that's how the differentiation is. Typically, overall, it's the balance of 30% exotics, 40% medium range, 30% basic. If that equilibrium can be established, that's definitely a good scenario to be into. But then, again, that is something which we cannot completely control because it's purely market-driven.

Manan Shah: And what would this mix currently be at both our units?

Paras Jain: In Unit 2, it would be typically that you have over 80%, 90% coming from the basics. In Unit 1, it would be typically about medium range and the basic products actually giving you about over 60%.

Manan Shah: Okay, understood. So just by changing this mix, we can still achieve like a 15%, 20% growth on our revenue from a long-term perspective, right?

Paras Jain: Yes. So theoretically, it is possible that if we are able to establish a right equilibrium on the product mix, both the margin profile and the top line can be improved.

Moderator: The next question is from the line of Karthi Keyan from Suyash Advisors.

Karthi Keyan: Just one question. You referred to additional shipments from India in anticipation of these duties by the players. Rough sense, what could be the kind of inventory pile up, plus of course, the higher freight cost base inventory, So, could you have some sense of the level of pile ups that could have happened?

Paras Jain: We expect that anything between 3 to 6 months of inventory of certain designs in certain customers would have got piled up in anticipation.

Karthi Keyan: Right. And what would be the extent of erosion base case scenario that has happened in your assessment? Would it be like 3%, 5%? Or will it be a much bigger number?

Paras Jain: I think probably it will be in double-digit is my sense.

Moderator: The next question is from the line of Sachin Kasera from Svan Investment Managers.

Sachin Kasera: Just one question, so despite the sales being lower than June quarter, if you see, versus the March quarter, the receivables are higher byRs.20 crore. So, would you like to make any comments on that? Have you seen any increase because of the softness that we are seeing in the market?

Paras Jain: See, if you look back, historically, the shipping challenges was one of the reasons for the working capital to be tighter because we had little shipments getting tied up at the port and then the bill of lading not coming on time. So, all that typically got bundled and with little aggressiveness in the market approach, we will also have to extend some terms. All the terms, what we extend to the trade in the U.S. market are largely backed by the underwriting from the Export Credit Guarantee Corporation of India. So, we very judiciously offer even the limits to the trade.

Sachin Kasera: That's perfectly fine. I'm asking about the cycle in terms of number of days. There seems to be some increase.

Paras Jain: So, with the demand getting muted, that is one reason where we have to be a little aggressive. Secondly, with the sort of some shipment delays, which were still invoked during the second quarter, the bill of ladings and all that did not come in time and for us to get the payment from the suppliers, from the buyers, we need to present the bill of lading. So, these are 2 factors which actually caused the receivable days to go relatively higher.

Sachin Kasera: And with the shipping-related changes now becoming better?

Paras Jain: On that side of it, yes. We'll have it. But depending upon the demand scenario, we'll have to still take some calls from time to time.

Sachin Kasera: Sure, and one question was on gross versus net debt. If you see the balance sheet that has been presented with the results, the cash and equivalent is close to Rs.40 crore plus. So, are you comfortable with keeping such a high level of cash and bank balances? While our scheduled repayment is not much, would we look in terms of maybe prepaying some bit of loan and hence, having a lower gross debt?

Paras Jain: Maybe actually there's a balance as on debtor because due to the realizations of the last 2, 3 days of month, then automatically, we're going to use the balances in the next financial year.

Moderator: The next question is from the line of Hrishikesh Bhagat from Kotak Mutual Fund.

Hrishikesh Bhagat: Sir, I understand probably the challenging demand environment. But just wanted to understand, even if the end market is probably not growing or probably slightly shrinking, but considering the probably a duty on probably the other peers and if this inventory pile probably dissipated over the next 3, 6 months, has it any way allowed us to improve our market share?

Paras Jain: Basically, we have looked at 2 aspects of this duty. One is, definitely, we are trying to approach the trade where we feel that we can add value to their portfolio by presenting our design and probably take some additional market share, which otherwise would not have been available because of various other reasons. So, while that has not completely panned out fully yet because the duties are not completely final yet. So, I think once the duty imposition happens, which way it goes typically, we will give a guidance. Because it is not so easy in this trade to simply shift the supply chain that, okay, today, we'll buy from X, tomorrow, we can go to Y. So, before that decision from X to Y is taken by the trade, it takes some time because the way the product is marketed, the way the products are shown in the U.S. marketplace, there is lot of activities.

So, it's just changing a supplier is not the end of the day because you have to change the sampling across the whole. You're at 5,000 locations. So, it means that 5,000 different locations, the samples have to be changed. So, anybody wanting to take that call typically will take some time to get more clarity, which way the wind is going to flow. So, I think in nutshell, to answer your question, we've not completely seen the benefit of spillover from the duty yet.

Moderator: The next question is from the line of Sachin Kasera from Svan Investment Managers.

Sachin Kasera: Sir, has the distributors or our clients started to see offtake at the end consumer also slowdown? Or is it that they are trying to reduce their inventory in anticipation of expected sort of a slowdown in consumer demand?

Paras Jain: We have seen mixed reactions from the trade channel, which we have said. There are some people who have not experienced slowdown yet. There are some who have done reduction in anticipation as already the inflation challenges or the demand challenges are going to pan out. And then there are some who are actually seeing. So, depending upon what segment they are largely exposed to is what typically is giving them that direction.

Sachin Kasera: Sure. And most of the commentary that you're hearing from consumer companies is that the mid upper segment is where the demand is still relatively stable and it is a lower end segment, which is experiencing softness. So, have we also experienced that? And secondly, in terms of geography, U.S. is relatively doing better than Europe. So, are you also seeing the similar lines?

Paras Jain: Yes. So typically, depending upon the income level and the investment level, the impact of inflation typically pans out in that velocity. So, our experience has been that usually at a higher income level stratum, the inflation does not really impact much. And specifically, also on the customer's housing at a very different level of pricing, they don't really get impacted because the overall component of quartz in the housing will be relatively lower than what otherwise the building materials would have got into it. So that is answering to your question that, yes, of course, at the commercial project level, at multifamily housing, which are relatively low priced and very sensitive to inflation, they typically get impacted much than the others are what is our personal experience so far. Now what was the second question?

Sachin Kasera: In terms of geography, is Europe little softer than U.S.?

Paras Jain: No, I don't think so because the situation out right now, both in the Western world, whether it is Europe or America, the situation, I think has become more cautious now. So, whether it is a kneejerk reaction to what is heard and the news you've seen in the newspaper or what is the perception one has built, but I think the slowdown is consensus, is largely there in the building material category.

Sachin Kasera: And just to your previous comment that in Europe, we're also witnessing that demand is relatively better and stable in the higher end. Can you give us some sense? What is the sort of mix? It's like a balanced mix between the commercial end and the lower end and higher end? Or is it that we are more tilted towards the higher end and exotic? If not specific number, just some ballpark sense, how are we positioned in that?

Paras Jain: See, we don't have a right number because what happens is that our different consumers have different distributors and the trade partners in U.S. have a different level of exposure to the market segment. There are some customers who are very heavily dependent on new home building and commercial specifications. And then there are some customers who are largely into remodeling at the higher end of it. But I think overall, probably the balance is in favor of the low end and commercial specification market.

Moderator: The next question is from the line of Vikram from Vesta Investment Advisors.

Vikram: Sir, is it possible for you to share the breakup of operating margin in our old plant and new quartz plant?

Paras Jain: So typically, I think we've always maintained that, that data is little proprietary and we'll not be able to give a breakup between the 2 units. Consolidated numbers are there in the presentation.

Vikram: And sir, if possible, you can share margin of a premium product and margin in basic product?

Paras Jain: See, as I told a little while before that the realizations can differ even 100% between a basic at a gross margin level because of various factors, whether it is a cycle time to aesthetics to chemistry and a host of other products. But then overall, what is the contribution of that particular product is also equally relevant for it to impact the gross margin significantly.

Vikram: Okay. And sir, one question, who are the major quartz exporting countries to the U.S?

Paras Jain: Yes. So basically, Spain is one, along with us, then Vietnam is also there. Then you have Israel and then you have some parts of Europe, like as I had mentioned, Spain and there is some coming from Belgium, some coming from Italy. And of course, our Southeast Asian neighbors like Philippines, Malaysia and Taiwan I already mentioned to you. Thailand as well.

Vikram: So, these European players are facing any kind of energy crisis you've seen?

Paras Jain: I think what we have heard is definitely energy is a big challenge for all the European producers. But I really do not know how they have been able to mitigate and to what extent they're impacted. But whatever hear and say what I can tell you is that, yes, we've heard that energy is a big crisis for the European manufacturers of building materials, whether it is ceramic to quartz or anything in between.

Moderator: Thank you. Ladies and gentlemen, this was the last question for today. I now hand the conference over to the management for closing comments.

Paras Jain: On behalf of Pokarna, I thank, everyone, who's participated in the call, and I look forward to talking to you again in our Q3 call. Thank you so much. Take care.