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"Visaka Industries Limited Q1 FY 23 Earnings Conference Call"

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ANAND RATHI INVESTMENT SERVICES

CHORUS CALL®

MANAGEMENT:	**MR. VAMSI KRISHNA - JOINT MANAGING DIRECTOR, VISAKA INDUSTRIES LIMITED** **MR. SHAFIULLA - CHIEF FINANCIAL OFFICER, VISAKA INDUSTRIES LIMITED** **MR. VINAY BHATHIJA - HEAD INVESTOR RELATIONS, VISAKA INDUSTRIES LIMITED**
MODERATOR:	**MR. MANISH VALECHA – ANAND RATHI SHARE AND STOCK BROKERS LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to the Q1 FY '23 Earnings Conference Call of the Visaka Industries Limited, hosted by Anand Rathi Share and Stockbrokers. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Manish Valecha from Anand Rathi Share and Stockbrokers. Thank you and over to you, sir.

Manish Valecha: Thank you. Welcome you all to the 1Q FY '23 results conference call of Visaka Industries Limited. We have with us from the management Mr. Vamsi Krishna, the Joint Managing Director; Mr. Shafi Ulla, Chief Financial Officer; and Mr. Vinay Bhathija, who is the Head Investor Relations.

I would now like to hand over the call to Mr. Krishna for his opening comments. Over to you sir.

Vamsi Krishna: Very good afternoon. Thank you so much for the kind introduction. Mr. Manish, I welcome you all for the Q1 FY 2023 call. Thank you all for joining and participating. We shall start by giving my views on the macro picture. The major economies of the Western world forecasting recession by the end of the calendar year, the pressure of the Russia-Ukraine conflict is seen quite evidently across the world, especially on our raw material prices, the crude oil commodities, while China is still in lockdown in quite a few places, the supply chain constraints due to those actions. The central banks around the world are pushing the rates and terms of money supply and the demand. However, I feel India is in a well-positioned situation with inflation lower than other economies and the demand being robust.

Coming to our company's performance. This year, the revenues have been the best ever in the company's history. The margins however, have had an impact due to the entire supply chain being disrupted because of the war and logistics and other supply chain issues. But the turnover is only a signal to show us that the demand and the future outlook is positive. I shall start with the board segment first, the Vnext division. The Vnext boards and pallets have been doing exceptionally well over the years what the company has been committing in terms of sustainable and eco-friendly construction materials, is showing the way forward with a volume growth of 62% compared to the corresponding quarter previous year.

Sequentially, we have also grown 7% compared to the March '22 quarter, the last quarter that we've seen. The export market for this product also is good and we have grown by almost 26% over last quarter itself. Though the major economies are not faring well on the demand side. Our exports to countries like the GCC, the South African markets and others have increased and exploring new markets further to make our export division stronger. We are able to maintain good margins in this division in spite of the supply chain pressures and cost of inflation. This mirrors the market strength we hold and the brand presence that we have created over the years.

The product Vnext cement boards is a revolutionary product. It can replace majority of the traditional building materials and offers better quality than the conventional materials or construction methods. Many corporates are using the products in various applications in commercial, residential, and industry, we are seeing a good growth in terms of the housing projects as well. Our Vnext boards are tested and certified to be water, fire and termite resistant in all the agencies across the world, be TUV, EXOVA Warrington or our Indian IGBC Certifications.

The product is gaining continued acceptance and momentum where we have also done some high profile projects like Virat Kohli's restaurants in Pune, or Manipal Institute and across the educational institutions and others to speak of. We are able to reach customers through all verticals of our business development, through social media, through our influencers reach, our network expansion, and the focus is on to increase our ground base in terms of business management, increasing our network across various portals.

The affordable housing sector also is helping us see a good conversion in terms of looking at Vnext as a good alternative to traditional construction methods. Post-COVID major commercial projects and top corporate of the country have realized the advantages of Vnext boards, wherein we take almost half the labor that is required with conventional construction, thereby boosting us forward.

Our fourth plant that was the Coimbatore factory, which began production in Q4 last year, is seeing increasing utilization rates. Further the forward integrated panel factory that we had set up at Coimbatore has also commenced production in July this year. We are happy to announce that we are at full capacity across all the four Vnext factories that we have across the country and we are very happy to announce that we are setting up a fifth cement board Vnext factory in eastern part of the country in West Bengal, with a capacity of 72,000 metric tons per annum. This will cater to the increasing in demand in the East and Northern markets of our country. With this, we will be officially having plant in each of the zones across the country and across pan-India.

We keep our targets intact, for growing more with good margins in this division. We will see a growth rate of almost 30% to 40% year-on-year, the way things are going in this division.

Coming to our ATUM solar roof, it has also been seeing great momentum in the market. The product is patented and the product serves as two in one solution, a hybrid product wherein it acts both as a roof and a solar module wherein it saves costs compared to traditional roofs plus solar. The awareness that we are trying to create across various platforms about the roof generating product ATUM is what the talk of industry is, people are observing what this product is achieving in terms of its technical parameters, product is unique and because of this uniqueness, players like the Mahindra Group and the Covishield guys, all of the product is going into prestigious projects wherein people are aware of the utility that we provide and our job right now is to create this awareness amongst traditional solar adopters to make the next step in terms of roofing and power generation. We have started appointing EPC contractors across the country aiming a good target in the remaining quarters as we have a good long-term, mid-term short-term orders in the pipeline.

We are also observing that the steel prices are stabilizing, which will act as a benefactor to this division. High concentration is in segments, like new industries, commercial projects, hospitals, hospitality, and residential projects. We have had another breakthrough in terms of ATUM solar roof, wherein we can now retrofit existing roofs with that of ATUM solar roof. What I mean by that is earlier, we would cater only to projects that would start from scratch, which were greenfield projects, today with any product that is installed already has a roof, can be replaced with that off ATUM solar, thereby opening up a totally new market in terms of potential and growth that we see.

We are having great breakthrough in terms of the export market as well, we have had orders in Thailand, we are having some talks in Australia, in Kenya and South Africa. And going forward, we are looking at good demand in other parts of the world for ATUM as well.

Our Yarn segment, the wonder Yarn, a green yarn, that is, with all the R&D that has gone in the backend during the COVID times has paid off. We are one of the first guys to have an interesting breakthrough in terms of creating sustainable fabrics with our PVT recycled yarn as well. The free trade deal in the textile segment with nations is increasing our volumes in this segment as well. The traditional yarn continues to do a good business in the traditional markets, like the new sustainable yarns with green -- enforced green eco-friendly touchpoints is helping us enter new segments in the market.

The yarn segment sales for the current year grew by almost 200% compared to the previous year. That was because of a complete lockdown and negative effects of textiles in the previous year. We are happy to share that we are back to full capacity, both in terms of production and in terms of sales for the yarn segment, this also has a 7% increase compared to March of last quarter.

The current geopolitical instability in the Euro region has hampered our exports to that space. Nevertheless, we have covered that, with increase in demand from our Indian domestic market. We continue to explore new markets while creating value added products that fit the market. Coming to the traditional roofing business, we are doing very well in the rural network in terms of market demand. We grew almost 13% sequentially, and we continue to focus on all our segments and roofing is one of the most important. Though there were challenges in terms of increase in costs the rupee depreciation against the USD due to the Russian-Ukraine war and other global factors, the roofing business has done reasonably well.

We expect the challenges to remain for some more quarters due to the conflict that is happening in the global atmosphere, the company always takes appropriate measures to remain competitive and show that we can perform in tough times. Though the margins have come down in the roofing segment due to the rise in input costs, we are confident that we will continue to perform well, where the demand is picking up is always the best and the right signal in terms of the industry direction.

The company has looked at alternative materials to counter the supply chain demands which is carrying on in the past direction. During the current quarter, we have comments our commercial production of our second line of the Raebareli plant in UP the capacity of roofing segment now is at 9 lakh metric tons for this year. Speaking on the new initiatives, let me begin by saying that all the new developments that we have taken are bringing in good demand for our core businesses. The visibility of our application, of our innovation and the products that we are developing with a strong R&D base are all adding to the core business development in terms of volume and the turnover growth that you see and the use and the likes of the Vnext solutions and the ATUM life is helping us enter new arenas in terms of catering markets, wherein we are getting into strong tie ups with the corporate segments, wherein we are having an opportunity to build larger in the market.

We are very happy to share with you that though there is a tough time that we are seeing in terms of the overall global scenario, we are confident that we will be on the right track and the company is taking the right decisions to have a counterbalance to the challenging year that we foresee, but our position remains to be positive. The Vnext's growth is strong, the ATUM positioning is consolidating and here to take off, the textile business is robust and ready to take on the market expansions, and the AC at last is seeing a good demand even though the input costs are increasing. So all in all, we are seeing a good positive we're to go ahead, yet even though it is going to be a challenging one. Thank you all and I think we can open up for questions.

Moderator: Thank you very much. We will now begin the question and answer session. First question is from the line of Divyanshi from Havells Investments. Please go ahead.

Divyanshi: My first question is on ATUM, year back we discussed ATUM roof and you said that it's in its nascent stage, wish to know the progress on the same as other companies like KPI, Green Zodiac etc have jumped leaps forward and which year we shall reach full capacity utilization.

Vamsi Krishna: Yes, thank you. So ATUM's new product actually, it is just settling in terms of market fitment. It is an indigenously developed product, wherein it is a roof infused with solar cells. So, basically it is a single roof that generates power for you. And we have got patents for that in India, in America and South Africa. So, the market, as I say the roofing segment is huge in terms of almost the target that we are taking as a country is almost, 10 gigawatts for the year. Our capacity that we have set up is 30 megawatts to start with. This year, we are trying to do almost about 15 to 20 megawatts in terms of the outlook the outlook that we have. I think comparing with traditional solar modules will be a challenge in terms of the utility that we provide. So traditionally, we don't compare with the traditional solar modules, what we look at is as a VIPV category, wherein we are trying to replace roofs, be it the metal roof or the traditional aluminium sheets, wherein we are trying to replace those with ATUM solar roof, which generates power. So what we are foreseeing is in the next two years, we will be reaching full capacity and increasing as output in terms of 30 megawatts upwards to 60 megawatts as well. So that's a brief outlook for ATUM solar roof.

Divyanshi: I had another question, that can you please explain the cost differences between ATUM roof and a traditional solar roof like how much 100 square feet of ATUM cost versus 100 feet of traditional roof and what will be the cost of setting up the 30 Megawatt factories we have and the margins we expect at full capacity utilization.

Vamsi Krishna: Surely, so, coming to margins, I think we will be looking at almost about 10% to start with once we reach full capacity, that is in terms of a nascent progression that we are looking at. As we increase the outputs, we will definitely get better economies of scale in terms of increased margins. Coming to the plant setup cost, we are looking at the setup cost is quite low because of the technology that we've developed in house. We will be seeing hardly about 20 to 25 crore in terms of setting up a brand new facility of a large scale system of around 60 to 100 megawatts. But the CapEx is limited, but it's a more of an OpEx game in terms of the working capital required will be quite high in terms compared to the CapEx. In terms of the cost, we will be the same cost as a traditional roof plus a traditional solar module, we will be equaling this same in terms of net value, in terms of price comparison, but in terms of energy generation, we will be almost 30% to 40% higher in terms of energy output. To give you an example, ATUM solar roof will generate 1 kilowatt of power in hardly 60 square feet, whereas traditional solar will generate 1 kilowatt of power in 100 square feet. So that is really the value add that you get apart from a roof generating power, the energy output that comes with ATUM per square feet will be higher compared to the traditional solutions available in the market. Thank you.

Divanshi: Can you please give unit economics if possible?

Vamsi Krishna Share surely I think we have a detailed presentation that we can share with you regarding complete picture of ATUM. But in terms of unit economics, in terms of pricing, we can tell you that it is around the same cost as traditional available solutions. We are not even positioning or selling ourselves at a premium at this stage. And the margins that I'm talking about are taking that into consideration. Once the product sets in, we will definitely be looking at a better premium that we can demand for a product. Thank you.

Moderator: The next question is from the line of Subham Agarwal from Aequitas Investments. Please go ahead.

Subham Agarwal: Yes, thank you for the opportunity. So my first question was regarding the board division. So clearly, we have achieved INR 96 crore almost close to 100 crore under it now. And management is putting a lot of confidence with the new capex. Sir, I wanted to know your vision with regards to this division, how much this division can become, in let's say three to five years from now and the key areas or the key milestone that you're looking at achieving to get to that goal?

Vamsi Krishna: Yes, sure. So, just to give you an idea, I think as you rightly said, we have been very bullish on the Vnext division. Right from the very beginning, when we started off in 2010. The product literally grew up from scratch in terms of the turnover that we are looking at today. This year, we are projected to reach around maybe anywhere between INR 350 crore to INR 400 crore for this segment alone. Going forward with the growth rate that we are expecting, we would need to set up almost a plant every two years, is what we are expecting in terms of what we are looking at something to compare with what Visaka experienced from 2000 to

2008. In terms of the growth in our roofing segment, where we had set up almost five manufacturing plants in a span of 7 to 8 years, we expect that kind of growth going forward, for Vnext alone. I think by 2030, we should be looking at adding at least around four to five plants of Vnext alone, wherein we will be able to create around 25,000 tonnes additional to what we are doing in terms of a monthly output sale. So, the growth that we are looking at is quite robust. I think Vnext is going to take off in a big way in the coming months, in the coming years and the consumers are also showing us that confidence in terms of the premium and the brand equity that we are able to get in the market. So going forward, I think Vnext will be a wonderful division to look out for.

Subham Agarwal: Fair enough. And secondly, in this division, if we talk of margin, it has remained quite low compared to the CapEx that we are doing in plant. So with scalability, what kind of sustainable margin are you targeting to achieve to get a decent IRR or ROE from this projects?

Vamsi Krishna: Surely, surely. So I think margins point of view, I think we've always been indicating that we will do anything but in between 12% to 15%. And I think you will be seeing that very shortly. In fact, the first quarter of this year also, have seen a good uptake in terms of the pricing that they've got in the market. Going forward, I think definitely we will be seeing a very positive sign in terms of the margins this year and going forward. In spite of having severe challenges in the supply chain and cost pressures, Vnext will be doing well in the overall margins point of view.

Subham Agarwal: Okay, good to hear that, sir. And lastly, on the cost front, so we import a lot of fiber for this division. And three months back there was certain problem with relates x regarding to import of product, and we were looking at different geographies to import. So what is the current situation there?

Vamsi Krishna: So I think for the next particularly, I think we should credit the experience the team have got in terms of dealing with the roofing fiber costs, we have been doing very good R&D In terms of offsetting the costs with other materials. What I mean to say is, be it the recycled content in Vnext or be the substitute products for the pulps that we use. I think our team has done a tremendous job in terms of offsetting the cost that we are experiencing. In fact that you will be able to see that very clearly, in terms of our margins that you will be seeing, that input cost, and Vnext is being very efficiently managed by our team in terms of the R&D that we're doing to offset. So I would like to say that yes, though there are treasures, I think Vnext should be in a comfortable park in the months to come.

Subham Agarwal: Okay. And lastly, just to summarize the entire discussion. So with the growth rate that you have projected, it seems like in three to four years down the line we can achieve INR 1000 crore from V board. So do you see this achievable and with the margin, it looks like almost INR 130 crore to INR 150 crore of EBITDA, we can generate out of this divisions.

Vamsi Krishna: I would refrain from commenting to your comment, but I would definitely say yes by 2030 we should be able to look at the numbers that you're talking about. Yes, definitely.

Moderator: Thank you. The next question is from the line of Ankit from Oculus Capital Growth Fund. Please go ahead.

Ankit: Hi, thanks for the opportunity. Sir, I'm looking at your shareholding and there is a shareholder Vigilant Security Services, so wanted to know if this is part of the promoter family?

Vamsi Krishna: Actually not, I actually not I think there was some article also that unfortunately, got posted we are aware of that, we have nothing to do with that company anymore.

Ankit: Okay, so this is not related to promote at all?

Vamsi Krishna: No, no.

Ankit: Okay. So it's just an investor who used to hold 10%.

Vamsi Krishna: Yes, this is an investment and actually, I -- if you to take a look at our recent shareholding and bringing institutions shareholder, so that's the direction we are in.

Ankit: Got it. Thanks. And another think on the asbestos roofing, which is basically the majority, I believe, majority of our EBIT will be coming from that division. So, just want to know your views on that decision with respect to the brands that we have seen across the world, non-asbestos, how it can affect our company, if something happens in India also in a widespread way? What can be a solution for that what are the options that we can provide if there is some, like if government says that you have to remove asbestos roofing and replace it with something else? Because what are the discussions that we are having with the government with respect to just you know set up, just wanted to know your thoughts on that?

Vamsi Krishna: So first of all, I think this has been a point of discussion for so many years, like ever since I've joined it 12 years ago, the whole discussion was on this and rightly so, the point of asbestos in terms of a product, first off, I would like to reiterate that we are in complete thought of safety compliance is very high in the country. I must be speak about all our competitors as well, because of the experiences that **[inaudible 32:46]** has created across the world, the industry has such has faced a lot of turmoil and shut down and banned in many places. But in India, we are very stringent in terms of the compliances, what we do and how we use asbestos and we use only white asbestos, which is unlike the blue asbestos, is much safer in terms of the usage. Having said that, the cost of the product that we look and the roofing sheet, the cement roofing sheet cost is 15 rupees per square foot. Whereas, if you take a comparative of a metal sheet, the cost is almost 45 rupees per square feet. So the roofing sheet, the cement roofing sheet that we offer is actually a poor man's product. India being a rural market, the demand comes heavily from the lower section in terms of the demand and that is where the pricing point has stabilized. Having said that, we have been very active again, I must reiterate, we have a non-asbestos product ready already it is in and in the market as well. But the quantum of that right now, being taking the cost into account is very limited. We have the technical ability to shift over to non-asbestos, if the time and need really comes, but keeping the cost in mind, we always have to make sure that our product is available at the right price to our consumers. Having said that, we have also got into a very interesting mix of ways, we can create a product with good strength and without the use as well.

So that is point number one. Point number two in terms of our margins. Yes, predominantly the roofing sheet business is the main margin for the company. But we are seeing a good change in that in terms of the contribution that we are getting from the textile division and Vnext boards division, both of which going forward, I think we will be seeing a good contribution, compared to image roofing as well.

Ankit: Thanks. And sir, basically when we when we give the segmental breakup of the roofing, the building products versus the yarn business, can we give the going forward, whenever this becomes material, can we give the breakup in terms of your Vnext, and ATUM plus your asbestos sheets and the Yarn, so basically the three segments is what – what I understand is the next future growth drivers will be Vnext and the ATUM.

Vamsi Krishna: Surely, so, I think fair ask in totality, we are actually working on that space, we will let at the right time, I think we're just seeing how best to represent that. Point noted.

Moderator: Thank you. The next question is from the line of Mukesh Panjwani from Value Securities. Please go ahead.

Mukesh Panjwani: So we can see that the Vnext division is going very, very well. And despite that, you can also see that the valuations of company are really -- I can say, deeply undervalued. So is it possible to demerge this Vnext division so that they it can unlock the value for shareholders?

Vamsi Krishna: Yes, again, I must have to respond in a similar way I just did. Unfortunately, we are exploring options in terms of how best we can unlock untapped value for the Vnext, and the new age products. I think this has been a point of concern for most and we are looking at options to export.

Moderator: The next question is from the line of Denish Shah from Equinox Funds. Please go ahead.

Denish Shah: Thank you for the opportunity. My question will be on the Yarn segment, how will the free trade agreement benefit us in this segment? Or in the board process? So my questions is on yarn would be on yon segment, how will the free trade agreement benefit us in this segment or in the board products, Vnext and Yarn, what percentage of sales are we exporting in each product, the geographic division if you can help.

Vamsi Krishna: Great, I think first off, I think to mention our company's very heavily focused on the domestic growth I think Indian story in terms of the market in terms of the business, economics is very strong. And we have always been very bullish outlook in terms of the India story. So, almost all the products that we are catering to today, hardly I think around 25% to 30% is what we export and that to given at the right price and at the right contribution for our company. So something like a free trade helps us to look at countries where we can explore markets in terms of what we are doing. But I would like to reiterate that our focus has been majorly in the domestic market where we are seeing a very robust growth in terms of the India growth story. So that's where we stand.

Denish Shah: Okay, my second question would be is on the Vnext board, considering the demand and 25% growth target, a little too conservative, what is the market size of the product and our market share?

Vamsi Krishna: Sorry, can you can you repeat the beginning please?

Denish Shah: Yes, is on Vnext board, isn't considering that demand a 25% growth target a little conservative?

Vamsi Krishna: Sure. So I think in terms of the demand, what we're really seeing is the conversion from segments like the plywood market, from the gypsum board market and where the external walls are concerned the brick walls as well, right and what we are looking at is nearly expanding in terms of growth cycles. So, if you really look at our growth story over the past 10 years, the growth rate that we are achieving today has not been achieved by any company, not by us either earlier today, what we are seeing is post-COVID the uptake has been very strong. And in that, I think I'd be very happy to say that we are ahead of the curve in terms of the growth cycle and in terms of product production, I think going forward to give you a good number, I think we will stick to 30% to 35% in terms of what we are looking at as a strong growth rate as a sustainable growth rate to reach out to a larger market. I think I should not say that it is too low. I think we entered the right space and we are good growth rate. I wouldn't agree that the growth rate is low in this font.

Denish Shah: So just relating to my first question. So what's the geographic division?

Vamsi Krishna: In terms of plant locations?

Denish Shah: Yes.

Vamsi Krishna: So, we have four plants at the moment we have one in Telangana, one in Tamil Nadu, one in Maharashtra and one in Haryana. So, these are our four plants at the moment. We are the largest in terms of market share and in terms of our monthly products, yearly output. And as I announced it during my comments, we are setting up our fixed manufacturing plant this year in the eastern segment of our country in West Bengal as well.

Denish Shah: And in geography revenue and breakdown in exports.

Vamsi Krishna: Exports again like I said, across all the four divisions, we do about 25% to 30% of our overall output, we do export from our Telangana facility and our down facility mainly. The market demand per se is very bullish in the south, the south market is very strong in terms of product adoption, especially the Kerala market, we are market leaders in that space as well. The growth that we are seeing is slowly picking up in other parts of the country, be it central or the eastern, where today we are seeing a good demand for it. Thereby going there in terms of our next expansion.

Moderator: Thank you. The next question is from the line of Shambhavi from Infinity Funds. Please go ahead.

Shambhavi: My question is on the three new initiatives that you have been mentioning in the presentation, what is the exact capital expenditure we have made or are planning to in each of the three, mainly ATUM charge, Vnext solution and ATUM life? And what are the revenues are expecting from each of the three in the next three to five years? And the target margins is possible?

Vamsi Krishna: So I think ATUM life and ATUM charge, they're going hand in hand in fact, what we are trying to create is a space where people can experience what sustainability really means. And in terms of what are sustainable products here to offer. Most of which what I'm trying to explain to you all are over a phone call, or when we talk to clients over zoom calls. As we are in the construction space. It's very hard to explain because customers want to touch and feel a product so that’s the whole experience of ATUM life that we are trying to create. This year we are setting up close to around 10 stores across the country targeting all the major metros to begin with and the investment for that would be hardly around INR 10 crore to INR 15 crore, it's a very small space in terms of what we are looking at. The main purpose of this would be to showcase our products much like what the traditional players in the industry have -- like the likes of Kajaria or Century where they created experience zones or experience centers, this will be in that direction with a different twist, with a different tinge of sustainability wherein we actually offer all our products at AG go in terms of sustainability. I think the target revenues, I will be able to share with you, as we deploy these we have a rough plan in mind, but it is an interesting model where we are trying to boost our traditional product field using active life as a forward integration. So, I'd be very happy to share this in a couple of months as we go back in terms of Vnext solutions, I think just to share with you what it is, Vnext solutions is our arm when we take on construction for corporates from start to finish across the corporate profile, it is mainly a b2b activity, wherein we take get into a relationship with a corporate and do the work for them from start to finish with our product range. I think by 2025, we should be looking at anywhere between INR 100 crore to INR 150 crore in this division. And our outlook for this in terms of margins, we are expecting good 12% to 15% in terms of Vnext solutions, so that is the space that we are working on in terms of the turnkey outlets.

Moderator: Thank you. The next question is from the line of Deep Gandhi from Astute Investment Management. Please go ahead.

Deep Gandhi: Good afternoon, sir. So my first question is related to the fiber cement board division. So this quarter you had almost, I think, 6%, 7% value growth. So, can you explain what led to this kind of price growth and was there any element of also, any raw material price increases which led to you also increasing your finished product prices? So, you can mention that?

Vamsi Krishna: Yes, surely. So, we have grown almost about 60% compared to the previous year, first quarter and almost 8% compared to the last quarter, definitely there has been an increase in our input costs, which we have offset in terms of price increases, right. So, yes, both have happened and the increase in demand is predominantly due to the advantages our product has, in terms of the labor, I think overall, the construction industry as we see it has got a very good idea of how Vnext is a suitable product for mass scale deployment in terms of construction with less labor, that is really our key point in terms of mass deployment, so that's the reason for the growth we are observing.

Deep Gandhi: So you mentioned in your opening remarks as well in the questions, you are expecting 30% - 35% growth from this division. So broadly, if you can mention what will be -- out of this 30% 35% growth, what kind of price growth are you expecting for next few years and then the remaining portion of the volume, so if you can give a broad break up?

Vamsi Krishna: I think it would be difficult for me to mention what price has been getting, I can tell you the margins that we're looking at will definitely be above 12% In the next two years, but we are looking at, so it will be a very strong increase in terms of where we are standing up.

Deep Gandhi: Okay, and if you can mention what kind of EBITDA margins did you did in this segment for the quarter, just to get a sense what kind of maybe delta is possible from here on?

Vamsi Krishna: I think I think last quarter I will be able to share with you offline but either this year forward we will be doing 12% plus for sure.

Deep Gandhi: My another question which I had is in terms of are you seeing maybe any international player entering into India, so, they might be already importing some portion of their products, but have you seen any new player maybe enter or existing international player and also setting up their own manufacturing in India, maybe this year or maybe in the past, have you seen any such kind of playing out?

Vamsi Krishna: I don't think it will be particularly a risk, it will always be a positive interaction in terms of market growth, if you really look at, but there have been many international players that have been talking or have entered the market, but I think we are in a strong ground in terms of the network, we have almost 2,500 to 3,000 selling points, that we cater across only in the urban segment for this product. So, we are in a strong footing, in that base, also we have a very good business development wing, where we get specified into good projects. So I think we are in the right track. Nothing to worry about particularly.

Moderator: Thank you. The next question is from the line of Chirag Shah, an individual investor. Please go ahead.

Chirag Shah: I had acouple of questions on the Vnext boards, so your present capacities around 240,000 metric tons and you will be adding 72,000 metric tons by the end of this year. So, what will be the CapEx for the 72,000 metric tons in the revenue potential from this addition?

Vamsi Krishna: So, Yes, so it will be around a INR 100 crore for this one. And the usually what we are experiencing in the Vnext is the capital turnover ratio is one is to one. So, we will be looking at revenue contribution around 100 as well.

Chirag Shah: Okay. So when you mentioned earlier in the call that you, project that maybe four or five plans will be set up by 2030. So, are we looking at basically doubling of potential or doubling of capacity by 2030? That means, I think you'll be at around 210,000 metric tons, or roughly maybe three…

Vamsi Krishna: Yes, you roughly you can say that to be in that direction yet.

Chirag Shah: Because basically you said you will double approximately by 2030. Am I right?

Vamsi Krishna: Yes, yes.

Chirag Shah: Okay, so for the immediate future, 2024 – '25 is there any capex that has been firmed up for the division?

Vamsi Krishna: Yes, plant like we said, so we will be undergoing that for this coming year. And post that we will definitely share with you at the right time.

Chirag Shah: Any details on the first plant? In terms of CapEx? In terms of capacity?

Vamsi Krishna: Yes, this this 72,000, as you said that that's going to be the capacity and we're going to invest about INR 100 crore in that. And we shift the plant by next year, so that is the target that we have.

Chirag Shah: Okay. So no plans beyond that as of now.

Vamsi Krishna: As of now, yes, this is what you'd like to share.

Moderator: I suppose the line of research has been disconnected. Let's move on to the next participant. The question is from the line of Denish Shah from Equinox Funds. Please go ahead.

Denish Shah: Sir, regarding ATUM is approx five years old now. So but -- revenue are not impressed. What hardships are we seeing here?

Vamsi Krishna: So actually, I think product is almost about three and a half to four years I was 2018, '17 – '18 onwards, the product is actually picking up. What we are seeing now is unfortunately because of COVID and because of the experiences of the product being new, we couldn't file a good take off in terms of what the true potential of the product is. But I think we are quite bullish, even if you see Vnext when we started off, because the construction products have normally have a long gestation period because people don't want to be the first ones to use, unlike technology in terms of software or in terms of new products. Normally, in construction industry, we experienced a rather slow gestation period for a completely new product. But I think you should see a tremendously different picture in the next coming years, in terms of ATUM growth in terms of revenue as well, because we are adding very good clients onto the list. So I think it's in the right direction, in terms of what we are experiencing.

Denish Shah: Okay, so now COVID is gone. So what revenues are we targeting? Any big developers we catering to?

Vamsi Krishna: Yes, last year, we did around INR 20 crore, this year we are targeting to double it. And there on, so we should be doing pretty strong in the next couple of years, in the next two to three years, you'd be seeing definitely full capacity of the 60 megawatt usage as well after a small expansion.

Denish Shah: Any big developments we catering?

Vamsi Krishna: Yes, of course. I've shared this earlier and like I've said, we are catering to hospitals, which are taking our product in a big way. Because most hospitals in terms of their roof, terrace roof space on use is very limited. So ATUM helps them to get into an additional flow. Developers like my Mahindra themselves are working for the Mahindra light resorts, their eco-friendly resorts, we actually had a partnership with them, where in across the country, they are setting up ATUM solar roof for their resorts. In terms of the product output, in terms of Manipal Institute, we are now getting repeat orders from them in terms of product outtake, the Prestige group, the Phoenix group, sorry, is taking good load. So I think we are going in the right direction. You will see good numbers in the month in the years to come for sure.

Denish Shah: Okay, so what was Q1 revenue?

Vamsi Krishna: For ATUM?

Denish Shah: Yes.

Vamsi Krishna: Q1 revenue, I think will be around anywhere between INR 5 crore to INR 8 crore in Q1.

Moderator: Thank you, ladies and gentleman, this would be the last question for today which is from the line of Satish Kumar an individual investor. Please go ahead.

Satish Kumar: Hello, sir. Good afternoon. Anymore talks going on with the railway for the ATUM solar roof projects.

Vamsi Krishna: Yes, so, actually very interesting, we are having good interaction with the railways, but unfortunately, we are not able to do CapEx deals with them, the railways is expecting OpEx deals, so we are figuring out how to structure ourselves in terms of financing that. But I think very soon you will be seeing good deployment in the railways for ATOM as well

Satish Kumar: Yes, because the railway starting some rooftop malls also, I read it. So, that will be good opportunity right. Another regarding Vnext solution currently any traction in Vnext solutions, there is….

Vamsi Krishna: So it is very selective, we are not going in a bullish way in terms of going and bagging projects, in terms of anything and everything we are trying to be very selective because what we are seeing Vnext solutions to be as more of a forward integration arm to strengthen our turnkey solutions. So that's what we are looking at.

Moderator: Thank you. As that was the last question for today, I would now like to hand the conference over to the management for closing comments.

Vamsi Krishna: So thank you, everybody. I think, once again, I would like to take this opportunity to share with you all that the company is in the right direction. And though things in the global front are impacting us in terms of margins and in terms of the supply chain, I think the company is taking the right decision, the team is completely focused to do a good back end R&D to help the company go forward, in terms of what we can achieve. And though we are seeing tough times, I think we will be having a good positive performance in this year to look forward to. So thank you everybody for joining on this call. Any further questions, you can reach out to my colleague, Mr. Vinay, and he can set up for the interaction for us. Thank you so much. Have a great day.

Moderator: Thank you, on behalf of Anand Rathi Share and stockbrokers that concludes this conference. Thank you for joining us and we you may disconnect the line.