Pokarna Limited
Q3 FY25 Earnings Conference Call
February 03, 2025

Moderator: Ladies and gentlemen, good day and welcome to the Pokarna Limited's Q3 FY25 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, Zico. Good day everyone and a warm welcome to Pokarna Limited's Q3 and 9M FY25 Earnings Conference Call.

We have with us today, Mr. Gautam Chand Jain –Chairman and Managing Director, Mr. Paras Jain –Chief Executive Officer at Pokarna Engineered Stone Limited and Mr. Viswanatha Reddy –CFO.

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 of the call and share perspectives of the Business and Outlook. Over to you Paras.

Paras Jain: Thanks Gavin. Good morning, everyone. Thank you all for joining us today. It is always a pleasure to connect with our investors and share insights into our Performance, Strategy and Outlook.

I am pleased to report that Pokarna Engineered Stone Limited has delivered another strong quarter demonstrating consistent execution, operational discipline and a clear focus on value creation despite continued macroeconomic uncertainty.

Let me first take you through our consolidated performance for the nine months and third quarter ended December 31st, 2024, nine months FY25 versus nine months FY24:

Total revenue stood at Rs.667.45 crore reflecting a 26.81% year-over-year growth. This growth was driven by the exceptional performance of PESL, our wholly owned subsidiary. EBITDA came in at Rs.242.45 crore, up 36.64% year-on-year, completely supported by improved operational efficiency and margin expansion at PESL. EBIT reached at Rs. Rs.209.96 crore, an increase of 43.84% year-on-year reflecting higher profitability at PESL and disciplined cost management across the business. PAT rose significantly to Rs.128.65 crore marking a 79.33% year-on-year increase further reinforcing PESL's strong contribution to our overall financial performance. Earnings per share for the period stood at Rs. 41.49 up 79.07% year-on-year, underscoring the impact of PESL growth and consolidated earnings.

Now let's move to Q3FY25 versus Q3FY24:

Total revenue for the quarter was Rs.223.61 crore, up 35.84% year-on-year, with PESL continuing to drive strong market traction for a high Value Engineered Stone product. EBITDA for the quarter came in at Rs.88.35 crore, increasing by 59.22% year-on-year, benefiting from an improved product mix and operational excellence at PESL. EBIT stood at Rs.77.73 crore, up 72.92% year-on-year, reflecting strong execution and cost discipline primarily led by PESL’s performance. PAT for the quarter reached at Rs.50.60 crore, a substantial increase of 138.34% year-on-year, demonstrating PESL's strong business momentum and its impact on overall profitability.

EPS for the quarter was Rs. 16.32 up 138.25% year-on-year, reinforcing the strength of PESL's performance in delivering long term shareholder value. What makes this performance even more noteworthy is that it was achieved despite almost 15 day planned closure of our Unit 2 facility for the installation of Kreos Line. This underscores the resilience of our operations and our ability to execute strategic upgrades while continuing to deliver strong financial results. These results clearly reflect the pivotal role of PESL in driving our consolidated business and financial performance with strong revenue growth, enhanced margins and disciplined execution.

Our strategic focus on high Value Engineered Stone products and operational efficiency at PESL continues to yield exceptional results, positioning us for sustained long term growth. We understand that some investors may have questions regarding potential changes in the US trade policies and the new administration. While it is too early to predict any specific policy changes related to Engineered Stone imports. Here is what we do know for certain; PESL maintains a strong and compliant position in the US market. Our anti-dumping duty assessment rate for the third review period remains at 0%. This underscores our commitment to fair trade practices and strong regulatory compliance. Regarding countervailing duties, no parties have requested a second or third review. As a result, the CVD of 2.34% said during the original investigation period remains the final assessment rate for the third review period as well.

Now let's move on to key Strategic and Operational highlights:

Product launches at KBIS 2025 for expanding our market presence, we are excited to share that Engineer Stone products from Kreos and Chromia lines will debut at KBIS 2025 in Las Vegas on February 25, 2025. This marks a significant milestone in our innovation journey allowing us to showcase cutting edge Engineered Stone designs to a global audience.

Expanding presence in key international markets; we continue to see stable demand and strong interest in our Engineered Stone from Czech Republic, Canada, France, Mexico and Russia amongst other countries. These markets offer attractive growth opportunities, and we are actively working to expand distribution and deepen customer engagement.

Investment in Capacity Expansion and Technology:

Rs. 440 crore expansion in Telangana, our third engineer stone production line is on track reinforcing our long-term capacity growth and sustainable manufacturing initiative. All the initiatives will further enhance our market positioning and operational efficiency.

Let me now discuss something about Granite Business:

Turning to our granite business, we acknowledge that the market remains challenging and this is reflected in our quarterly results. To address these challenges, we are implementing targeted strategies including strict cost control measures to drive efficiency and exploring new revenue streams to optimize profitability. While the near-term outlook remains cautious for granite business, we are committed to sustaining operational improvement and unlocking new opportunities. As we look ahead, we remain well positioned for long-term success. Our Engineered Stone business' financial performance remains robust with strong revenue growth and improving profitability. Our strategic initiative in Engineered Stone innovation, expansion and capacity enhancement will drive sustainable growth. With a strong consolidated balance sheet, disciplined execution and clear vision, we are confident in delivering long term value for our stakeholders.

Thank you for your continued trust and support. We now look forward to addressing your questions.

Moderator: Thank you very much. We will start with the question-and-answer session.. The first question is from the line of Shreyans Jain with Svan Investment Managers. Please go ahead.

Shreyans Jain: Thanks Paras. Sir, my first question is, coming back to the tariffs, so India is at 2%. I am just trying to understand Vietnam has increased its share in terms of US imports. So, what's your sense on the duties for other countries and till now we haven't heard anything on Vietnam being put some tariffs on Vietnam? So what's your sense, is my understanding correct that a lot of Chinese imports would have started to come in from Vietnam?

Paras Jain: Is that the only question you have?

Shreyans Jain: No, I have 2-3 but I would want some clarity on this and then probably my second question.

Paras Jain: Vietnam currently does not have any antidumping or current countervailing duty, unlike India. And your sense that lot of Chinese players would have probably moved to the other geographies, including Vietnam. And also, some Vietnam players would have increased their capacities or added more capacities.

Shreyans Jain: So that understanding is correct that some of the Chinese guys would have moved to Vietnam?

Paras Jain: Yes. I think so.

Shreyans Jain: Okay, Paras. A second question on this is, if tariffs were to be levied and say we go from 2% to anything like 10%, so when we sell at about $8 to $12, what's your sense on the margins? I mean do we have some understanding with our clients that, it should be a pass-through or who takes the hit here because ultimately the end customer. And my sense of the quartz imports total into the US is just, 6% to 7%-8%. So, the other hard surface products that are being imported, do they also have some duty or how should we look at this whole piece, sir?

Paras Jain: See at this stage no official changes have been announced regarding tariffs on Engineered Stone imports. So, what you and I can do is, we can only speculate, which I don't think is right in any business. So, I would not really be able to crystal gaze anything about what tariffs would be likely for India. But what all I can say is that we also do not have any understanding with the customers about tariff pass throughs because I think we are a very compliant company and under US trade laws you are not supposed to get compensated or not supposed to compensate for their duties as well. So, we don't believe in those type of business practices at all. So, what happens will happen across the board, across the country and it will not be specific to a company. And I think all we can do is just wait and see what Donald Trump comes with.

Shreyans Jain: Okay, and my last question and before I jump back into the queue is, if production were to happen from the US. Are there any existing players manufacturing quartz surfaces in the US.

Paras Jain: Yes, there are multiple players already manufacturing in the US. And on and off some new lines keep coming up in the US. So, it's not that US is not a manufacturing hub, but is it sustainably possible to manufacture in the US is something which is a question mark in our view, but it does have some manufacturing facility.

Shreyans Jain: Okay. All right, I will jump back over to you. Thank you.

Moderator: Thank you. The next question comes from the line of Sneha Talreja with Nuvama.

Sneha Talreja: Good morning, sir and thanks a lot for the opportunity and congratulations on great set of numbers. Just a couple of things from my end. I think your line is about to come for both the new product lines are about start from February 25th. Just wanted to understand what will be the current utilization that we are operating at and what's the order visibility that we have for these new product lines?

Paras Jain: At this time like in Q3 also Kreos did not contribute to revenues or margins. Similarly, Chromia has also not contributed to any margins in the Q3. So, we expect that typically both Kreos and Chromia will contribute positively to our margins profile over time in FY26. So, I think nothing we expect in FY25 from these two lines in terms of large revenues or large margin contribution.

Sneha Talreja: I just wanted to understand, we are already sitting with high margins about 34%-35% odd and if I include the other income, of course you mentioned it does 40% odd.

Where could these margins actually peak out because we are looking at more positive contribution coming in from both these lines?

Paras Jain: See if you have been following us in the previous calls or in the discussions we've had, we've always maintained our EBITDA margins to be around 35% and we always try to beat that to the extent we can. So, while the margin may positively improve with Kreos and Chromia coming, but I think that is something which we'll have to see how it really pans out. What I can say at this stage is that based on our current estimates, we aim to maintain EBITDA margins around 35%+ in the near term.

Sneha Talreja: Understood. And what about the last utilization levels?

Paras Jain: Utilization, we are at the optimums. We actually don't give the absolute number for strategic reasons. But what I can say is that we are at the optimum level.

Sneha Talreja: Understood. I will get back in the queue. Thanks.

Paras Jain: Thank you.

Moderator: Thank you. The next question comes from the line of Naman Parmar with Niveshaay Investment Pvt Ltd. Please go ahead.

Naman Parmar: Good morning, sir. Thank you so much for the opportunity and congratulation on a great set of numbers. So firstly, I wanted to understand how has been the demand overall in the US market? It has been started to pick up in let's say from September or October. So how has it been the demand scenario currently over there? And secondly, I wanted to understand how has been the granite market from the Chinese players, so how is the outlook over there also?

Paras Jain: So, the demand scenario for Engineered Stone business in the US seems to be picking up slowly while the micro economic uncertainties have still not completely gone away. But there is a slow uptick, and we expect 2025 to be a better year is what we are getting a sense at this point in time.

Gautam Jain: Regarding the Chinese demand for granite, unfortunately the Indian government still does not give visas to Chinese to visit India. And that's one of the prime reasons that not many visitors or not much sales is happening on account of granite to China. Whatever is happening is a little bit based on their local agents who are able to mark and get it dispatched. But I don't foresee much for some more time because till the Chinese visitors don't come to the quarries and inspect the material, the offtake will continue to be weak.

Naman Parmar: Okay. And lastly, I just wanted to know how has been the demand on overall other economies also, even though the US is the major contribution to you, but how much the other country will be contributing in the future and how as they performed in the current quarter?

Paras Jain: See, as a part of our strategic approach, we do not actually disclose the regional specific contribution outside the US, that said we continue to strengthen our presence international market, broadening our customer base across key regions.

Naman Parmar: Okay. No means other economy, I think you previously tell that Russia and Canada were doing very good. So, in the current quarter, which other economy?

Paras Jain: If you followed my opening remarks, I did mention that Germany, Russia, Canada, Mexico are doing well, but we do not actually break and give you the numbers. That's what I said.

Naman Parmar: Yes. Thank you so much for all.

Paras Jain: Thank you.

Moderator: Thank you. The next question comes from the line of Sonal Kohli, from Bowhead Investment Advisors. Please go ahead.

Sonal Kohli: Thank you for this opportunity and congratulations on other great quarters. And I must add, since you said that you always been getting 35% margins, you have been conservative and historically giving 25% margins. But nevertheless, congratulations for beating it by a large mile over the next few years. I have three questions. Firstly, is my understanding correct that there's only one line of quartz in the US and currently is it up for sale. That's the first question, will ask you the other two.

Paras Jain: If I rightly got your question because your voice is little feeble and some background. So, if your question is there only one production line in the US manufacturing quartz?

Sonal Kohli: Yes. And is it up for sale because it's not being able to utilize property?

Paras Jain: Is it up for sale? Is that your question?

Sonal Kohli: Yes sir. I heard from one of your peers.

Paras Jain: Okay. See basically there are more than one production line in the US and I think what you are referring to one production line up for sale, we are aware of one production line which was up for sale for a long time and I am not aware if there is any other production line which is up for sale. So, there are multiple production lines currently working in the US and I think there are probably one or two production lines under construction also in the US.

Sonal Kohli: So, then my follow up question is sir, what could be **the key** factors for these US players to ramp up in case a steep tariff was to happen? We are talking about the worst-case scenario over the years. Is it like available of quartz and is it like designs, is it like hazardous nature, over regulation, labor. If you can just tell us the top three to five most important factors, if any at all which would come in the way of US being able to ramp up the quartz? That was my first question. Secondly, would you benefit by any way because of Canadian imports, if the tariffs were to sustain? Thirdly, would your new lines increase your revenue or relations by 20% as and when they stabilize because of the new technologies and what are the initial kinds of hotel CAPEX? I can repeat later, you could just answer it one by one.

Paras Jain: Okay, so if I rightly got your question, there could be multiple factors for anybody to expand their business. And more specifically, if the question relates to the US. The one could be that somebody may be speculating that there could be a potential tariff. But if you go by the past, like for the China or India which went through tariffs and I think it's over 5 years plus now that tariffs were imposed on products outside of US. So, we did not really see any market expansion for the production out in the US so while tariffs were imposed all the way in 2019 on China and then 2020 in India, but that did not lead to any player adding any capacity exceptionally to their line just to meet the demand which is coming because of the tariffs. Secondly, the factor which could be driving somebody to add capacity is definitely you want to be closer to the marketplace and US is a marketplace. So, they may have a strategy, or they may have a view that if we are in the marketplace we will probably be able to compete better. So, this is what I seek. There could be two reasons because many other factors, whether it is availability of raw materials, and all probably are not that lucrative in those markets including availability of both semi-skilled unskilled and skilled labor for this type of industry. So, I don't see any personally, don't see anything exceptionally changing that people will start putting up their capacity just because tariffs are supposed to be coming in. Now coming to your second question about Canada market getting impacted because of the tariffs which the new administration in the US has imposed on Canada. The production of quartz in Canada is minuscule and that does not really contribute a large to the US per se. So, we don't see anything demand spilling from Canada to any other geography because of the tariffs on the products there. And your third question.

Sonal Kohli: Is it a $50 million number or no, I am mistaken about this number?

Paras Jain: The number what we track is not a $50 million number to be honest. Because I think there could be more of a transfer pricing story between. Because the company which is a producer in Canada actually has a majority of sales in the US It's a large conglomerate, for them this is a small part of the business.

Sonal Kohli: The remaining two questions new lines, how much realization increase is 20% of fair assessment?

Paras Jain: You mean to say the third production line of Engineered Stone which is going to be operational?

Sonal Kohli: So, the new technologies you invested in sir, is my understanding correct that this could potentially lead to realization of 20%?

Paras Jain: So, we anticipate that both Kreos and Chromia will positively add to our margins over a period of time once they are operational and stabilized. So, I think while there will be an initial stabilization period, we expect meaningful contributions to margin starting from probably FY26 Q2 or Q3 onwards as we scale up because there are a lot of R&D and a lot of marketing which we'll have to do for the product. So, it is going to take some time before you start a meaningful contribution. Yes, but we do expect some positive addition to the margin because of these two lines.

Sonal Kohli: Last sir hotel CAPEX early signs and the new capacity, would it take as long as the previous capacity increased to stabilize or reasons why it could be quicker this time if at all?

Paras Jain: Basically, we expect the stabilization of the new line of Engineered Stone our third production Engineered Stone line to stabilize relatively quicker. Because if you look at our experience of the first line and then the second line the stabilization has been very quick in the second line and third line also the stabilization will be quicker because the equipment what we are adding, some of them we have already recently tested in terms of robots and other things. So, we expect that stabilization will be relatively quicker than the first line and working capital cycle and all those things, I think those will continue to be what you see today. So, I think and more can be said about third line probably the same time next year when we are speaking and we are closer to the commercialization and then we see how the market dynamics are moving.

Sonal Kohli: Lastly, hotel CAPEX, signs of it what you are seeing as of now, will there be a huge pent-up demand because nothing has happened in last 5 years?

Paras Jain: I think there's some background I am not able to.

Sonal Kohli: I will take it offline with you then. Thank you.

Paras Jain: Thank you.

Moderator: Thank you. The next question is from the line of Hrishikesh Bhagat from Kotak AMC. Please go ahead.

Hrishikesh Bhagat: Hi, good morning. So, you spoke about micro challenges in the micro markets or in terms of US. But clear if you can throw some light in terms of which segment of demand is now pulling up because I clearly understand housing still remains fairly in terms of nascent recovery stage. But any other segments where you see recovery in US side?

Paras Jain: At this time what we are largely seeing is that there is a demand for residential which is relatively improving and the new construction while the new housing permits are and the new starts are getting to come and there is an increase in the number of projects being launched. But then the cycle is going to take some time by the time the countertop comes into picture and commercial is something which has not been really moving a lot in the past and that is one space we think that once the new administration has provided some clarity on how they are seeing that space. We think that the commercial movement has to happen. Hospitality is slowly picking up. Residential continues to be strong. So basically, new construction and commercial is the area where we think some improvement is yet to come.

Hrishikesh Bhagat: Okay. The second is post commissioning of new capacity, is there any internal targets you have in terms of non-US mix in overall revenue mix and specifically is there any target for India also?

Paras Jain: Basically, if you have been following us in the previous calls also, we've maintained that we always want to diversify our risk. But then for all practical purpose US will continue to be the major market in terms of the consumption. So, we'll be having a positive bias towards the US for some time. But having said that, we are definitely looking at many other geographies where we want to expand and India is definitely one area where we want to actually significantly expand our presence.

Hrishikesh Bhagat: But overall can non-US be say 15, 20% over the next 2-3 years probably with….?

Paras Jain: I think with that is what the target is that we have to bring it to levels closer to what you are mentioning.

Hrishikesh Bhagat: Okay. And are the margins slightly different in the non-US market compared to US market?

Paras Jain: It all depends upon the product basically because there are some products which are more popular in certain geographies and some products are popular in certain, some other geographies. So, while we try to make sure that we are having a fair price in all the markets, we don't typically try to undersell in some market. We try to maintain that it's a fair-trade policy across our geographies.

Hrishikesh Bhagat: Sure, thanks.

Paras Jain: Thank you.

Moderator: Thank you. The next question comes from the line of Ajay Vora with Nuvama Asset Management. Please go ahead.

Ajay Vora: So firstly, congratulations on great set of numbers. I just want to understand that, right now we are running at optimum capacity. The commercialization of Kreos and Chromia from say next year, FY26. It will definitely help us improve the margins. But what sort of volume growth also can we expect going forward? Because our new line will I think contribute from FY27. So, for FY26, how are we looking at things?

Paras Jain: As a prudent company, we keep working on some operational efficiencies in the business and how we can reduce the cycle time and increase the throughput is what our target is. So, we expect some operational efficiencies to come in FY26 as well which will help us to provide some fillip to the top line. So, I don't really have the exact number but what I can make sure is that definitely there's going to be some incremental capacity coming in the system because of operational efficiency on which we are working at this time.

Ajay Vora: That's fantastic. So that is more on the revenue side. But margins also what we are doing right now that will definitely see better, good sharp improvement because of these two commercialization. Right.

Paras Jain: Basically, margin expansion comes because of multiple reasons. One is definitely because there is a shift towards high Value Engineered Stone products which naturally carry higher margins. And then operational efficiencies and cost controls help us optimize the manufacturing costs and sometimes reduction in certain input cost which provide incremental margin also benefits us. So, while pricing plays a role definitely, we are also focused on value driven growth through process efficiency and product mix optimization rather than solely relying on price increase.

Ajay Vora: And also, you said that there was a planned shutdown of 15 days. Can you just quantify how much would the production loss because of that?

Paras Jain: Basically, what happens is that see if I start giving certain numbers then I can easily solve a bigger puzzle of what our capacities are and all which for certain reasons we are not giving. What I can tell you is it was like you know the numbers very well. You know we have two units, there are three months. So, you know what is per month this thing. And then you can do a back mathematics.

Ajay Vora: Sure. And finally, what is the gross and net debt right now?

Viswanatha Reddy: As on December it is Rs.279 crore.

Paras Jain: That's the net debt.

Moderator: Thank you, sir. The next question comes from the line of Dixit Doshi from Whitestone Financial Advisors. Please go ahead.

Dixit Doshi: Yes, most of the questions are answered. Just couple of things. So, you mentioned net debt of Rs.279 crore. So, I mean what kind of repayment schedule for let's say FY26 and for this Rs.440-crore expansion, how much incremental debt we are planning to take? And my second question is regarding the India market. So, if you can broadly touch upon that how much would be our current distributor network and what kind of addition you are expecting over next couple of years?

Viswanatha Reddy: So regarding the repayment, the next 12 months repayment is around Rs.50 crore, and then the new loan that we are working on is about Rs.250 crore from the banks and balance will be from Internal accruals.

Dixit Doshi: Okay.

Gautam Jain: The domestic market is a big story since we are covering the subject, let me brief you a little. And everybody that we are looking at, we have started the work on an experience center in Hyderabad. And we are already in advanced stage of appointing certain distributors in metro towns. I think once we start with them, the numbers will gradually keep going up. But our focus of course will be remaining on exports. But we plan to be aggressive in domestic market in near future. So, we are working on the ecosystem for servicing the local markets. Once I think everything is in place, maybe it will take another six months for experienced vendor and the new team to participate in the aggressive marketing. You will see the local numbers going up after six months.

Dixit Doshi: Okay. That's it from my side.

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

Amey Chheda: Thanks for the opportunity. Can you explain the jump in the other income? Was there a one off in this quarter?

Viswanatha Reddy: That is a additional foreign exchange earnings.

Amey Chheda: Okay, so what would be the quantum for that?

Paras Jain: Yes, we are just giving. For Q3 it was Rs.7.39 crore, while for nine months it's Rs.7.15 crore.

Amey Chheda: Okay, so this is recorded in segmental EBITDAs also? Which is included in segmental EBITDA also?

Paras Jain: Yes.

Amey Chheda: Okay, so most likely it will be in the quartz segment, right?

Paras Jain: Yes, exactly.

Amey Chheda: Okay, so if I exclude this, the EBITDA margin in quartz is 38%. So how sustainable this is especially just in the quartz segment. I wanted to understand.

Paras Jain: Yes, I think I have answered this multiple times. But since you have asked again, I will do it again. See, at this stage based on the current estimates, we aim to maintain EBITDA of 35%+ in the near term. The margin expansion in Q3 was driven by various factors including the improved product mix, the contribution from the high realizing products, the operational efficiency as we continue optimizing production, reducing cost and reduction of certain input costs which provided some additional margin support. Since we've already covered the foreign exchange part, I am not touching that. So, while market conditions and input costs can fluctuate, our continued focus on efficiency improvements, product differentiation and disciplined cost management remains key to sustaining healthy margin levels. So, we believe that 35%+ margins will continue in the near term.

Moderator: Thank you, sir. We move to the next question from the line of Gautam Vandra with Shubhalakshmi Family Office. Please go ahead.

Gautam Vandra: Thank you for the opportunity, sir and congratulations for the great set of quarter. I have two questions. My first question is how do you access your competitive positioning and pricing power in the US market, especially compared to the big players like Caesarstone and recently Carysil also jumped into this segment. How do you assess your competitive positioning?

Paras Jain: Caesarstone and many other competitors have existed from much before we actually were in the US market, and we have been handling that competitive pressure through our push and pull strategy what we have and we keep building some temporary monopolies in our product and the pricing from time to time. And our design driven innovation is where we actually try to bring value to the customer.

Gautam Vandra: My second question is, are there any plan to launch low-cost silica products or any other innovative products in the near future terms?

Paras Jain: See as a part of our R&D we keep exploring several formulations including the low crystalline silica formulation. So, we have not yet announced our launch date. But what I can tell you is that we are working on some low crystalline silica formulation and depending upon how the market asks and the customer demand, we can pivot is what I can tell you at this time.

Moderator: Thank you, sir. We will move to the next question from Pranav Mehta from Equirus Securities. Please go ahead.

Pranav Mehta: Good morning, sir. Sir, I just wanted to understand on the silicosis part. So mainly sir, if I understand correctly, now the investigation for silicosis in US is shifting towards fabrication part instead of the manufacturing part, is it correct?

Paras Jain: Basically, US has 50 states. Every state has their own OSHA regulations and every state has their own way of regulating the trade practices in the state. So, at this time the California senator has proposed a bill to license the fabricators for selling the quartz in California market. So, it is not a pan US type of a scenario.

Pranav Mehta: But sir, California is a overall big market within US, right?

Paras Jain: See, California is not the biggest market, is one of the important markets because if you really look at the way population of the US is, 75% of the population of the US stays between east coast and the mid-west. But then as a market California is important. But it's not the only or is not the biggest market. So, there are several other markets where the exposure of product in terms of square footage, in terms of value is high and also depends upon the customer also, who is based where and who's got strength in which market.

Pranav Mehta: So sir a related question in that sense is, further looking at this silicosis investigation, so anything negative or surprise on the downside can be expected or more or less it's now moving more towards, let's say instead of dry cutting, wet cutting and more equipment to the fabricators is what the investigation is moving towards?

Paras Jain: I know as much as you know in this case particularly. What I can tell you is that definitely the product is not a problem per se when it is installed. The challenge is how it is fabricated. So, if the fabrication is done under controlled conditions with the right engineering controls in place, then it is absolutely a great product. So, I think if the regulations can move towards making sure that the fabricator fabricates these products under right conditions and under the right engineering controls, I don't see any major challenges.

Moderator: Thank you. Our next question comes from the line of Shaurya Punyani with Arjav Partners. Please go ahead.

Shaurya Punyani: Sir, at what target we are closing the year in terms of top line, do we have an internal target for FY25?

Paras Jain: So, I think you can extrapolate what you are currently seeing in the numbers. I think we will be running probably at a number closer to that number for the Q4 as well.

Shaurya Punyani: Same run rate, okay. And post FY25 like FY26 and after when the new line comes up, so what kind of growth we are expecting?

Paras Jain: I think we'll give you more color on the outlook for '26 probably when we talk next. So, at this time I can talk about '25 and you already know than outlook for '25.

Moderator: Thank you. The next question comes from the line of VK Karthikeyan with Suyash Advisors. Please go ahead.

VK Karthikeyan: Good morning, Mr. Paras, congratulations. Just wanted to understand one thing from you, what is your best assessment of your competitive positioning in India in terms of cost structure vis-à-vis the other Bretonstone suppliers located in India?

Paras Jain: Basically, the costs are primarily driven by the quality of the inputs what you use. So, there are some players who use inputs which we don't believe are of really high quality or are not really meeting the standards which we think a good product quality should be meeting. So, there could be some players who are typically able to produce at 15%-20% cheaper, which is not a rocket science. Anybody can do that, including us, if we have to move toward that type of input. So, there are some players in the Breton system also who are able to produce at cheaper cost because they are substituting one or the other product with some inferior quality, I should not be saying, but probably a cheap product.

VK Karthikeyan: And outside of India, would anybody be cheaper than us in terms of cost structures for the same kind of product?

Paras Jain: See, basically every company in the country has its own dynamics. So, it would be very difficult to say that, see China has a different manufacturing cost for several reasons. Vietnam would have probably a similar structure like China for obvious reasons. But if you go to countries like Europe or America, the cost structures would be different because the input cost and the overheads are different.

VK Karthikeyan: Sorry for interjecting. I was thinking more in terms of Vietnamese or Turkish players. Would they have a lower cost structure either because of currency or because of costs?

Paras Jain: Currency definitely plays a big role probably in Turkey type of environment. But then I think this product is not just about cost. There is a lot beyond cost which is first and foremost is the product design. The ability to design a product which can be a great runner in the market, which is something is the first priority. I think cost probably become second or third and after the relationship, the ability to give a good quality product, service in time they need. So, I think definitely Vietnam would have a lower cost compared to what we are having. Turkey may probably have advantage more primarily because of the currency.

VK Karthikeyan: The only context for asking this is assuming there are duties imposed across the board, that is to say. We would not come up disadvantaged, right as a nation or as a company?

Paras Jain: Today we are like if you look at today, we are also having a duty, Turkey also has a duty, Vietnam does not have a duty. Tomorrow if everybody has a duty, whatever percentage, if it is more or less same duty. I don't think duty is going to change the dynamics unless the duty itself is really too big a number.

VK Karthikeyan: Perfect. Thank you very much and best wishes sir.

Paras Jain: Thank you.

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

Paras Jain: Thank you so much and we look forward to connecting again for Q4. Have a lovely day.