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## **Pokarna Limited**

### **Q1 FY '26 Earnings Conference Call Transcript August 01, 2025**

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**Moderator:** Ladies and gentlemen, good day and welcome to Pokarna Limited's Q1 FY '26 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, Rayo. Good day, everyone, and welcome to Pokarna Limited's Q1 FY '26 Earnings Conference Call.

We have with us today, Mr. Gautam Chand Jain – Chairman and Managing Director; Mr. Rahul Jain – the Managing Director; and Mr. Vishwanatha Reddy – the Chief Financial Officer.

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. Gautam Chand Jain to open proceedings of the call and share perspectives of business and outlook. Over to you, sir.

**Gautam Chand Jain:** Thank you, Gavin. Good morning, everyone, and welcome to Pokarna's Q1 FY26 Earnings Call.

I will briefly talk about the key operational highlights, post which we can commence the question-and-answer session.

The business environment remains challenging. The uncertainty among customers, primarily driven by uncertainty around the U.S. tariff announcement, continues to constrain demand, thereby disrupting the entire value chain.

Notably, customers, particularly within the United States, are deferring large-scale home improvement projects, including kitchens and bath remodeling, in favor of more lower-cost options available there.



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We anticipate this period of uncertainty will extend until a definitive tariff resolution is reached. Until the situation becomes more certain, we remain agile to respond to evolving circumstances. We are constantly talking to our customers to make our supply chain more efficient.

From an industrial perspective, the imposition of tariffs, particularly on building materials and engineered stone, is anticipated to result in elevated input and distribution expenditures. Notwithstanding the recent developments, we see this as a strategic opportunity to broaden our market presence, deepen our engagement with economically aligned countries and further streamline our sourcing and logistics framework.

As we noted in the previous discussions, demand from non-US markets such as Czech Republic, Canada, France, Mexico, Russia and other countries continues to be encouraging. The contributions from these regions have been gradually increasing, and we are taking active steps to further diversify our geographic mix.

On the domestic front, we remain focused on expanding our footprint. A key initiative in this direction is the Experience Center in Hyderabad coming up shortly. We expect to be opening this Experience Center in another 6 months' time, but this will also serve as a platform to strengthen our brand visibility, customer engagement in the Indian market, as well as visibility to foreign customers visiting India.

In parallel, with efforts to diversify our geographic footprint, we remain focused on strengthening our product mix. As highlighted in our previous call, we expect the KREOS line to begin contributing from this fiscal year as we roll out a range of design-led premium offerings.

We also anticipate initial contributions from Chromia line during this year, with a more material impact expected over subsequent periods. Together, these advanced technologies are set to elevate our portfolio and reinforce our position as a product innovator in the global quartz surface industry.

To conclude, we remain firmly focused on delivering shareholder value through strong demand capture, disciplined execution, and proactive risk management. Despite the external uncertainties, we believe our resilient business model and agile strategy will allow us to navigate the horizon confidently. Thank you very much.

**Moderator:** Thank you very much. We will now begin the question-and-answer session. The first question is from Vishal Dudhwala from Trinetra Asset Managers.

**Vishal Dudhwala:** How are we structuring your freight rate contracts and resin procurement strategy to shield margins due to the volatility?

**Gautam Chand Jain:** Freight rate contracts, we don't pay the freight. Normally, the freight is paid by the customer.

**Vishal Dudhwala:** And what about your resin procurement?

**Gautam Chand Jain:** Procurement continues to be the same, but we try to evaluate if there is a possibility of different minerals that we can use and if there is a sourcing possibility at a better



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price. So, this is again sourcing of different products. It is not on a contract basis, but it is from time to time the prices are fixed.

**Vishal Dudhwala:** That's it from my end. For follow-up, I will wait in a queue.

**Moderator:** Next question is from Viraj Mehta from Enigma Investments.

**Viraj Mehta:** Sir, just wanted to understand, in a very environment which is kind of confusing even for your buyers and end users at this point, what kind of negotiations at least, let's say, if the tariff remains here, how much do you think you will have to take hit in terms of your realization for a like-to-like product? And how will it affect your margins, let's say, over next two to three quarters?

**Gautam Chand Jain:** See, today, unfortunately, the whole world is facing the same situation. And not only quartz and every product. And like me, everybody is waiting for a final settlement between the country to U.S., what final tariffs will come because, as you must be following, the tariffs are changing by the day. It is not yet stable that what is going to be the final tariffs. Negotiations are still on between India and U.S. for final tariffs. This is because they could not reach a final conclusion by this date.

Now, we hope that the trade team, which is coming to India end of this month, by that time we will get a better clarity. But as today, you would have seen the final announcement has come and India stands at 25% tariff in U.S. market.

Obviously, looking at the situation, it looks like that customers will take some time to absorb this tariff. The product will become expensive. But going forward, we may have to revisit our pricing structure with few customers. Based on the products, maybe we will have to bring in new products where the price will be absorbed and new prices will be fixed.

Overall, I assume that we will definitely have some adjustment in the pricing with our customers. But today it is too early to suggest what could it be. But we will have to talk to individual customers depending on the product, depending on the customers. But right now the situation is everybody is waiting to release orders and they are more or less in the same mode even today.

**Viraj Mehta:** And sir, what was the utilization of the facilities this quarter?

**Gautam Chand Jain:** See, normally, as you know, we don't share utilization of units. And the very reason we don't share is because it always depends on the number of products that we make, the sizes we change. And that is why there cannot be a fixed number. And as a policy, we have never been sharing the percentage of utilization even earlier. So, I don't think we will be able to give you that answer right now.

**Viraj Mehta:** No, my only question was, in light of whatever the new capacity we have done with whatever the prices are today, can you just give us a number, what is the peak revenue that we can do in the quartz division?

**Gautam Chand Jain:** See, there are two things that you are asking. Number one, the new capacity is just planned yet, not executed fully because we haven't even got the machines yet. We have placed the orders and the work, the construction has started. But this production from the new expansion will come in the financial year ending '26-'27, the



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beginning '27. So, it is too early to anticipate what will be our capacity utilization post-expansion.

**Viraj Mehta:** No, no, I understand.

**Gautam Chand Jain:** But we actually don't give any forecast for the future numbers.

**Viraj Mehta:** No, no. I am not asking for such future numbers. All I am saying is when you did CapEx, you would have certain revenue in mind that that CapEx would bring in. That is the only thing I am asking.

**Gautam Chand Jain:** Yes, that when we are fully functional and full optimum utilization, we will add an additional turnover of about Rs. 500 crore.

**Moderator:** Next question is from Shikhar Mundra from Vivog Commercial Limited.

**Shikhar Mundra:** For Quarter 1, what was our average tariff rate for the whole quarter? And how much of it was passed on to the customer? And how much of a pricing hit or margin hit we had to take?

**Gautam Chand Jain:** Right now, the tariff rate during Quarter 1, which is not yet paid by the customer, would be 10% for the containers reaching now, during this 90 days period. Post that, now it will become 25%. But just for information, we don't share any tariffs yet.

We were in discussion with customers that based on future, whatever tariffs come up, whatever we will be able to observe a bit, the product will be priced a bit, and then the distributors, we will all look at what will be the optimal number that we can share to support them for that period. But right now, as it stands, we have not shared any tariffs with our customers.

**Shikhar Mundra:** And post shipping the goods, I mean, how many days post shipping the goods, the customer has to pay the tariffs or receiving the goods?

**Gautam Chand Jain:** See, it was very clear that when the tariffs were announced, U.S. had given that 90 days window. If the container reaches within that period, there were no tariffs. Post that, they had given that another 90-day-water window where the 10% tariff came into effect. And right now, till the containers reach, it was 10%.

Now, I don't know that I have not read today's order what has come, but they will again give some window where the old tariff will be applicable till the containers reach.

In normal practice, it is once the container is shipped, they give 90 days for the container to reach as the old window. But we have to wait for the orders to read in detail what the order says.

**Shikhar Mundra:** So, let's say, today if we are shipping some goods, then the applicable tariff is at 25% or 10%?

**Gautam Chand Jain:** 25% now.



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- Shikhar Mundra:** It is 25%, okay.
- Gautam Chand Jain:** Yes. What clarity I think I have got from the newspaper reports is that whatever is shipped up to 7th August, it will be 10%. And anything shipped post-7th August will qualify for 25% tariff.
- Shikhar Mundra:** So, I mean, speaking to your customers, are we estimating a drastic fall in volumes post-7th August because of this incremental 15%?
- Gautam Chand Jain:** By the time customers absorb these tariffs, they will also compare with other countries what are the tariffs and parallel products available? So, I think we are coming into this situation for the first time, and we will have to wait how customers react and whatever negotiations, we will have to continue with the customers because we have been doing business with the same old customers. So, probably we will have to accommodate some requests from them and make sure that the business continues.
- Moderator:** The next question is from Hrishikesh Bhagat from Kotak Mahindra Asset Management Co. Ltd.
- Hrishikesh Bhagat:** Just a first clarification in terms of new expansion. Fair to assume that the revenue will start flowing from Q2, '27 like next year or probably second half of next year '27?
- Gautam Chand Jain:** Yes. We are right.
- Hrishikesh Bhagat:** And second, let's say, I understand there was a fair bit of tariff uncertainty this quarter. And obviously it continues. And still the margins in the product have been fairly in times of guided range of 35% or somewhere around that range. The question is that once the probably improved product mix or Chromia designs that we are talking about, fair to assume that these margins we will be able to maintain with the new designs that we are speaking about, assuming that utilization and everything remains where we are today?
- Gautam Chand Jain:** See, that is the focus that we will continue with the margins because we have focused on giving the market a better quality of product with more innovations. And when we do that, we really anticipate that the margins we will hold, but it will depend on the order that we get post-tariff.
- The reaction of customers right now is that they themselves, because of non-clarity, have withheld releasing the orders, though they have selected the products, but they have not released orders. Because now, today, that the clarity has come, we assume that we will start getting customers' orders. But the pricing will be under strain for sure, unless it is a new product where there is no comparison for the price.
- Hrishikesh Bhagat:** Just a last question from my side. What will be non-US revenue as well as India run rate, if it is possible to share?
- Gautam Chand Jain:** I can only share, tell you that the non-US revenues are going up gradually. On the contrary, every month, rather every quarter, I could say. But then the major volume remains from the U.S. market. But we are going to now focus, take this opportunity as an excuse to improve the network in other parts of the world to ensure that our dependence gets reduced.



**Moderator:** Next question is from VK Karthikeyan from Suyash Advisors. Please go ahead.

**KV Karthikeyan:** Sir, good morning. I logged into the call slightly late, so excuse me if I am repeating the question. I just wanted to understand, given the uncertainty surrounding tariffs, sir, is there a way you can stagger your new project? Any thoughts on this?

**Gautam Chand Jain:** I think last meeting also, somebody had suggested this, but that is not possible because we have already placed the orders. The machines, see, it is a time frame of about a year to make the machines. So, when we placed the order, the LCs were already opened and now more or less the delivery time is very close by.

So, I don't think we can defer. And I don't think we have to defer our plans because of just a tariff issue in one market. Our ultimate goal is to keep raising our revenues, increasing our profits, and find other opportunities to penetrate in other markets. We cannot withhold our business prospects just because in one country there is tariff issue.

And then tariff issue is not so severe that we have to worry about it because this tariff is on everybody, every product. So, there is some percentage variance, and I hope that Indian government and U.S. together will make efforts to make it more viable eventually, because the consumer in the U.S. will have to pay higher price.

So, going forward, I don't think we need to defer our expansion plans or growth plans just because of the tariff issues.

**VK Karthikeyan:** Good to hear that. Just one additional clarification. Have you finalized upon the product mix you target in your new facility? Would it be more thin slabs? Would it be larger slabs? Super jumbo slabs? Can you share some color on that?

**Gautam Chand Jain:** See, this is a business strategy that we need to take a call from time to time, again, customer to customer. One particular strategy is always we are a customer-friendly company. We want to ensure that we retain the customers, we add new customers, and we satisfy our customers.

So, to that extent, yes, there are some markets which require thinner slabs. Maybe we will have a little lesser margin in that kind of a product, but when we need to do it, we will do it.

So, in the new machines, we have the capability to make thinner slabs. We have the capability, which I can proudly tell you that no other quartz company in the world has, because we have KREOS and we have Chromia.

So, a product which can be made by us, fortunately not many companies are able to do this. So, we will try to explore our equipment that we have to the best of our ability to retain and continue to give new products to our customers.

**VK Karthikeyan:** Just to clarify, sir, the reason I brought up this question was in the presentation, you have explicitly stated that overcapacity is a problem in the lower end of the product range. Therefore, I was wondering if your strategy is accordingly modified. That is why I was asking you this question, sir.



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**Gautam Chand Jain:** Unfortunately, I don't think I should share our business strategy on investors' calls because as I told you, overall, we are a customer-friendly company. We are innovators in the product. And our focus will remain there. Even if at the cost of reducing our entire capacity utilization in the bargain, we will do it. But we will have to make it up with better margins. But we will have to focus on what we can do to retain our customers, and satisfy our customers and give them a product which others are unable to give.

**VK Karthikeyan:** Unable to give.

**Moderator:** The next question is from Sonaal Kohli from Bowhead Investment Advisors.

**Sonaal Kohli:** Sir, thank you for this opportunity. For benefit of all, maybe if you allow, I will ask three questions. Firstly, sir, how is the hospitality pipeline looking like? Considering huge gap in renovation of most of the hotel projects in the United States, will it increase materially this year, either in absolute terms or as a percentage of revenue, this year or next year, as per your expectations?

Secondly, Chromia and KREOS, when will you see the impact of these products coming out in a meaningful way? And would you expect that to happen during some part of this year?

Thirdly, if you could explain, you know, what is the impact of exit of Paras? Who has taken over his responsibilities and his background? And any plans to hire someone to do so? And does it impact your business in any meaningful way?

**Gautam Chand Jain:** So, first question about the hospitality pipeline. See, we still are continuing to get enquiries for hospitality industry because normally it is a long time frame from the time they start planning to execution because hospitality is one part which is a continuous process, and we really don't see much demand going down in hospitality.

So, again, because this tariff issue has made uncertainty for every customer, whether a home buyer or a hospitality or any commercial project, we don't know how things will happen, reaction will happen from the customers post this 25% tariff on us. But I don't foresee that there will be a big degrowth on the hospitality industry. We will continue to have a lot of enquiries are already there, and I think we will continue to get a lot of traction from hospitality going forward.

Chromia and KREOS, we have already started production of KREOS. We have already started delivering the product from KREOS to the market. The new collection of KREOS and Chromia, we are launching in the forthcoming show in Italy in September. And I am sure that that will open a big market for these new products from the show where we will be exhibiting these new products.

Coming to Paras's resignation. Paras was part of the company. Of course, you must know that he was a company secretary. He moved to look after the quartz business. But we have enough team to continue the business.

I myself have started this business, and I continued to be actively participating in the day-to-day working of the organization. In addition to me, my son, Mr. Rahul, is the Managing Director who is full-time involved to take forward whatever work Paras was



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taking care of. So, in addition to Paras, we already have a good team in place with a lot of experience.

So, you don't have to worry about one individual goes from the organization that the organization will not work. I can assure you that we will work better and continue to be innovators in the market and continue to give good results.

**Sonaal Kohli:** Sir, have you lost any other people after Paras resigned? And secondly, sir, in terms of sales relationships, with whom do those sales relationships reside with? That would give a lot of clarity to all of us on the call.

**Gautam Chand Jain:** So, I want to give you one clarity first. All the customers that we have on board were all started by me and continue to be serviced by me. So, it is not that Paras has gone, and I don't think we need to emphasize this conference call of investors for one individual leaving the organization. Am I clear?

**Sonaal Kohli:** Sure, sir.

**Moderator:** Next question is from Ankush Agrawal from Surge Capital. Please go ahead.

**Ankush Agrawal:** So, firstly, I mean, if I look at this quarterly results, it is a pretty decent quarter, I think. We have stable margins, and the revenue is down just 10%, which is quite good. So, I just wanted to understand if you can provide a sense of how the demand sort of shaped up over the quarter, like in terms of from the customer end like April obviously would be much lower because there was a lot of uncertainty.

But post that, how did customers started reacting in terms of, say, releasing orders? Obviously, they are still holding back. But since from April to now, I think last three, four months, how do you see? Is there an improving trend or if you can give a sense on that?

**Gautam Chand Jain:** No, honestly, the new order which has come into effect from today was issued last night. And all the customers were waiting for this final order that is going to come. But there are still customers who are not concerned about the tariffs because the business continues as usual. What will happen will be that the product pricing will go up, and maybe they will also revisit their own palette. What products can be sold with additional tariff which is going to be loaded on the product.

So, today is too early because the order was last night, and this 25% story is now going to reach everybody, and today now in U.S. it is night. I don't really know how the reaction will be, but overall, I can tell you that lot of our regular customers with whom we have been doing business, they continue to work for the future collections, new additions that they want to do. And our development for them is continuing.

And let us see that what will be the total reaction. I think it is too early for me to comment today. But we will make efforts to make sure that we will have to revisit the pricing. We will do. We will revisit the color palette and product offerings. We will do it.

**Ankush Agrawal:** Sir, just one clarification. What is the normal timeline between your customer giving you an order and you actually delivering that product on an FOB basis?



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**Gautam Chand Jain:** See, the product actually starts with development of the product because as long as the old products which they are selling, which continues where the development has already taken place and they have already offered it in the market. But when you talk of the new products for the next year collection, normally, the period is 6 months. They give some idea of what they want. We present some new ideas of what we can make. And then the customer selects the product, then presents it to their own sales team. And by the time they place the order to us, it can take up to 6 months' time.

**Ankush Agrawal:** Actually, what I am trying to understand is, say, for Q1, FY '26, you would have received orders even before the tariff situation came in April, right? And that is what you have executed. So, just trying to get a sense that now post April, what kind of slowdown you have seen in terms of new orders which would, say, sort of impact the results in the next few quarters?

**Gautam Chand Jain:** What you guessed is right. The deliveries that we made in Quarter 1 of this year was the orders we received about four months, three months before that. So, this, now, today's situation is from April onwards, we see a slowdown in the orders because there was no certainty about what tariffs will come to because the negotiations between India and U.S. trade has been happening for last more than four, five months.

But everybody was expecting that they will conclude the negotiations. Since the negotiations were not concluded, the tariff of this 25%, what was announced, has become effective today. We hope that, as we read, is that the Trade Commission is expected to visit India in the end of this month to finalize the final tariffs. And again, this uncertainty will remain till the final tariffs are not finalized.

So, I see that there will be a pain we will have during this particular quarter. But then, if tariffs are finalized, the business should happen as usual.

**Moderator:** Next question is from Amey Chheda from Banyan Capital Advisors. .

**Amey Chheda:** So, as our understanding is that the end consumer, what he is paying is almost 8 to 10x of our selling price, right? So, if he sell at \$6 to \$8, he is paying \$60. So, is the understanding correct that if we are paying additional \$2 tariff, then the end price only increases from maybe \$60 to \$62. So, in that case, probably the demand won't be impacted as much. Is that understanding correct?

**Gautam Chand Jain:** You are seeing only rosy picture of our customers, but you are not looking at what goes in between. You know, since these margins are actually not so simple that you are calculating.

See, there is a distributor in between us and a consumer. Then there is a fabricator in between a distributor and a consumer. So, the role played by the fabricator is a major role. And the margins that he gets, your counting is not right because this includes the handling, transportation, storage, cutting, fabrication, and the losses that they incur on wastages when they execute a project.

So, of course, the consumer has to pay that kind of a price, but that price is not just processes on a product directly. There are a lot of services involved in between. So, this tariff which comes on the product will be a part of the margin, of course, will be product, of course, will become more expensive. And maybe they will bring down



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their margin a little till their price is not absorbed. We can't say, but consumers will still, at the end, will have to pay more price for the product.

**Amey Chheda:** On a blended basis, right, for you as a company, what would that incremental price be in terms of percentage? I am not asking for specifics.

**Gautam Chand Jain:** First, I want you to understand clearly, that we sell on a FOB basis and we sell at our price, the product. The tariff is paid by the consumer as well as the dealer when he imports in American market, and that is the time they pay the tariff whatever taxes are. So, we don't pay the taxes here. Our prices for the product suppose it is \$10, customer will have to pay tariff on that \$10 whatever the present tariff will be.

**Amey Chheda:** No, that I understand. I am asking about the end consumer, right? Because of this tariff, so you must have done some back of the envelope calculations to understand that what would be the price increment for the end consumer because of this tariff.

**Gautam Chand Jain:** This must be the same percentage if you look at the face value. But then going forward, we don't know whether the distributor and the fabricator will absorb some price differentiator or they will load it to the customer. We cannot tell that.

**Amey Chheda:** My second question was, what would be the margins of the non-US countries that we sell to?

**Gautam Chand Jain:** See, we sell a product at the same price we sell to U.S. and same price we sell to other countries. So, the margins will remain same.

**Moderator:** Thank you very much. We will take that as the last question. I would now like to hand the conference over to the management team for closing comments.

**Gautam Chand Jain:** Are you taking any more questions? Or that was the last question?

**Moderator:** No, we will take that as the last question.

**Gautam Chand Jain:** Thank you, gentlemen. Thank you for joining us for this Q1 Financial Investors Meet on this '25-'26 Financial Year. Look forward to seeing you again. Thank you.

**Moderator:** Thank you very much. On behalf of Pokarna Limited, that concludes the conference.



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