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7th February, 2025

To,
The Manager,
BSE Limited,
Department of Corporate Services,
Phiroze Jeejeebhoy Towers,
Dalal Street, Mumbai – 400001

Script Code: 514448

Dear Sir/Madam,

Subject – Transcipt of Q3 & FY25 Post Earnings Conference Call.

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we hereby submit the Transcript of Q3 & FY25 Post Earnings Conference Call.

Kindly take the same on your records.

Thanking You,

Yours Faithfully

For, Jyoti Resins and Adhesives Limited

UTKARSH PATEL
Digitally signed by UTKARSH PATEL
Date: 2025.02.07 10:59:43 +05'30'

Utkarsh Patel
Managing Director
DIN: 02874427

JYOTI RESINS & ADHESIVES LIMITED

Q3 & 9M FY25

POST EARNINGS CONFERENCE CALL

February 04, 2025 11:00 AM IST

Management Team

Mr. Utkarsh J. Patel - Managing Director

Call Coordinator

KAPTIFY®

Strategy & Investor Relations Consulting

Presentation

Vinay Pandit: Ladies and gentlemen, I welcome you all to the Q3 and 09 Months FY25 post earnings conference call of Jyoti Resins and Adhesives Limited.

Today on the call from the management we have with us Mr. Utkarsh Patel, Managing Director.

As a disclaimer, I would like to inform all of you that this call may contain forward-looking statements, which may involve risk and uncertainties. Also, a reminder that this call is being recorded.

I would now request the management to brief us about the business and performance highlights for the quarter and nine months ended December 2024, the growth plans and vision for the coming year, post which we will open the floor for Q&A. Over to you, sir.

Utkarsh J Patel: Ladies and gentlemen, good morning. I welcome you all to the quarter three FY25 post earnings conference call of Jyoti Resins and Adhesives Limited.

Moderator: Unable to hear you.

Utkarsh J Patel: As quarter one, we were able to achieve 20% volume growth. Due to monsoon and all over less demand in quarter two it was flat. And now quarter three witnessed revival in our volume growth. Volumes for quarter three grew at 18% YOY. Revenue on an adjusted basis grew 16.5% YOY driven by this volume growth.

We have continued to put in strong efforts in our ground level work with carpenters and dealers, with several meets conducted during quarter three to showcase our product portfolio and improve our penetration in existing markets and create visibility in new markets. While we gained market share in this quarter in some of our strong cities and states, we have witnessed good response in our new states as well.

The higher margins of more than 30% was led by softer raw material prices and increased volumes, thereby offering us better spread and operating leverage. Because of flat volume in quarter two, we may fall short by 3% to 5% of our stipulated guidance of 20% volume growth for FY25. We continue to target 20% volume growth for the next 3 to 5 years, led by our efforts on the marketing front.

We have increased the number of branches to 42 during quarter three. That was earlier 38. While also strengthening our sales force parallelly, we have onboarded CMO, Marketing Manager and few ASMs.

In terms of our capacity expansions and CapEx plans, we are looking to add another 1,500 tonnes per month over the next 1.5 years at our existing plant, while we are looking at doing greenfield expansions for a new facility on the outskirts of Ahmedabad to meet the initial needs of our storage of raw material, finished goods etc., along with the potential to go up to manufacturing of 3,500 tonnes per month in the near future.

Overall, we believe we are focused in our approach to markets and our strategy to maintain our number two position in the wood synthetic market and we are aiming to increase our market share, as the largest player.

I am now ready to take questions and answers.

Moderator: Just one clarification, the revised guidance is on an annualized basis for FY25.

We are now ready to take questions. All those who wish to ask a question may use the option of raise hand. We will first go with Madhu Rathi. Madhu, you can go ahead.

Madhu Rathi: Hi. Good morning, sir. Thank you for the opportunity. Sir, I wanted to understand was there a realization de-growth in this quarter and was it because of mix change or due to raw material price decrease we have passed on to our dealers?

Utkarsh J Patel: There are two-three reasons. One reason is we have focused on the OEM sales also. So, for the OEMs, the modular furniture makers, we have three product categories and that have the different prices, as we are also in the economical grade for the OEMs, then mid-range and then the high range also.

And the second thing is we have passed a few discounts to the -- discount in bill to some territories and some states to gain more volume growth. So, these are the reasons for that.

Madhu Rathi: Okay, got it. Sir, my next question would be, sir, we have seen our gross margin improvement because of raw material but based on our strategy to increase the distribution and promotion expenses. Sir, so what would be the impact that was offset by gross margin reduction? So, any range that for this quarter you can give us?

Utkarsh J Patel: So, range for the quarter 4 you are talking about?

Madhu Rathi: No sir. In quarter 3 because of raw material reduction and the sales strategy, where -- so what would be the offset by both of these? Wanted to understand on that sense.

Vinay Pandit: Let me answer this question. We have stayed at around 70% gross margin throughout this year. So, we expect that to continue.

Madhu Rathi: Okay, and sir this would be a steady state gross margin even when the prices increase, for raw material?

Vinay Pandit: No, this is assuming today's raw material price and today's average realization. If raw material prices were to expand sharply, then of course logically the gross margin will contract.

Madhu Rathi: Okay sir, so on your understanding and being in this industry for a longer time, sir, based on like past 10 or 15 years of pricing, sir, what would be the average steady state margin that we can expect going forward?

Utkarsh J Patel: Average steady state market, the gross margin should be -- depends upon the conditions of the raw material but average we can consider at 65% gross margin because the main raw material is the VAM, vinyl acetate monomer and that is imported material. And if we talk about the 15 years, 20 years of history, so there is not much increase in the particular this raw material. And as a retail, as we are in B2C, we need to give at least one quarter to pass on the prices if raw material gets increased.

So that particular three months maybe we get the reductions in the margin, but after that we can increase our price and Pidilite is a decision maker in this industry as we all know that and we follow them. So, 65% is a sustainable gross margin we can say.

Madhu Rathi: Okay sir, understood. Sir, similar question on our EBITDA margin, so our longer-term guidance of 22% to 25% was based on this 32% to 33% kind of reducing by 3% to 4% each from sales promotion and advertisement. Our effort shows these, so the margin over the longer term would be sustained.

So, in a scenario where our gross margin reduces from 3%, 4% because of pricing getting normalized, sir, so in that sense, would we take a further margin reduction or we would just take price hike or we would reduce discount. Sir, I wanted to understand in that scenario how would our longer-term margin guidance play out.

Utkarsh J Patel: So, I think this year we may land on 29% of EBITDA. And for the longer term we are giving the guidance always for the 25% of EBITDA. The reason is we have started as an example in quarter 3, we have good investments for the trade activities like carpenter meets, carpenter gatherings, then dealer meets. As an example, in quarter 3, we have 2,000 carpenters in one gathering in Rajkot. Then we did the dealers meet in 7 territories like Ahmedabad. We do the gathering of 700 people in one premise in Ahmedabad.

So, like that, that activities we have started to expand. But we are like to more expand into the now consumer marketing and brand marketing. So, we want to lift our brand from here. So that spending is still ongoing. And in the next year, we will see this investment into these activities. So that's why we are guiding as a 25% of margin.

Madhu Rathi: Okay, sir, so my question was more regarding, sir, so I wanted to understand says to protect this 25%, would we cater to a price hike in a scenario where gross margins have increased or in that scenario, we would rather than increasing the prices to final consumer, we would reduce discounts to our dealers and advertisement. So, I wanted to understand regarding that sense like if the 70% gross margin goes to 65%, where would the incremental 4%, 5% margin be? So, I wanted to understand in that scenario.

Utkarsh J Patel: So basically, the customer -- to broaden the customer base is the most priority. And to onboard more and more carpenters, more and more dealers who can be associates. So, we will not compromise that way. But simultaneously, we are also focusing for the good margin premium products. And that high range premium product sales are also increasing. So that target audience is also associating with us.

And that is -- give us this result that we can have this EBITDA margin also. So, we can continue for that also. But parallelly, we will focus to broaden the customer base first.

Madhu Rathi: Got it. Sir, just a final clarification on the accounting entry for our loyalty points. Sir, so I understand that this revenue is deferred kind of a revenue. And we whenever the carpenter or dealer whenever they redeem these points will recognize it as a revenue. Sir, so I wanted to understand how is the margin entry for this, sir. So, do we book all the profitability at this moment and only the expense part is kept on that, the current liability segment? Or is the current liability on a lower margin than what we are selling today or it is at no margin. So, I wanted to understand regarding that.

Utkarsh J Patel: Not much difference because if we talk about the nine months, that is only an INR 2 crore of difference. As an example, INR 30 crore, INR 32 crore rupees is redemptions and INR 32 crore is provisions and INR 34 crore is redemptions. So that is not much difference in that.

Madhu Rathi: No, sir, on the margin front. So, if I suppose sir, for INR 100, so if we have INR 100 crore liability on our books regarding to this redemption. Sir, so whenever that goes into our revenue, sir, is it like no margin kind of a scenario for us or it's a very low margin scenario.

Vinay Pandit: So, let me answer that question. Basically, as per accounting standards, there is deferment of revenue and proportionate expenditure. So, both whenever it gets redeemed, it moves to revenue as well as it moves to expenditure. It doesn't move in isolation.

Madhu Rathi: Okay, got it. Sir that was what I wanted to understand. Sir thank you so much and all the best.

Moderator: Thank you to Madhu. We will take the next question from the line of Keshav. Keshav, you can unmute and go ahead please.

Keshav: Sir, I am trying to understand that why our EBITDA is flat since past eight quarters around INR 21 crore, INR 22 crores and top line is flattish since September 22, which is INR 71 crore. So when will we break out of this range?

Utkarsh J Patel: So as already I mentioned that quarter one, we have taken almost 20% of volume growth and quarter three also it is good that 18% volume growth is there. So, as we have given the guidance that we will grow by 20%. So, it is as per plan. But because of the -- as you know, that in building construction material, quarter two was very, very disturbed by all over demand and supply into the market. And all building construction materials, quarter two result was not good as a volume wise.

So that quarter two is disturbing for us that, that can little stretch in our plan. But quarter four, we are optimistic for that and we will achieve our goal that almost 70% to 80% volume growth in that. So maybe we will -- yeah, less for the 3% to 5% only. So, we have started to grow from here, but see in the history, if you can see in 2020, we were at INR 100 crore and then we grew by INR 180 crore. So that growth we have taken. So right now, the main thing is the fundamentals process is where we are making our fundamental strong. We are focusing more to a team building recruitments. As I mentioned that we have on boarded Chief Marketing Officer, Marketing Managers. We have on boarded few ASMs in the newer territories. So, these are the basic fundamentals we are making the strong from -- to grow from here.

Keshav: Sir, at what discount are we selling Euro 7000 to with Fevicol for the same package, same product on an average?

Utkarsh J Patel: So, it's a basically two channel partners are there, the carpenters also and the retailers also. Retailers means dealers, hardware and plywood shops. So basically, we are passing a 7% to 13% depends upon the developed territory or developing territory, for the retailers, and for the carpenters, same 7% to 13%.

Keshav: Sir, this is your retailer margin?

Utkarsh J Patel: Retailer -- to retailer also and to carpenter also, of both.

Keshav: Sir, so is it 7% to 13% margin each for retailer or carpenter or is it either retailer or carpenter?

Utkarsh J Patel: No, no, 7% to 13% for the retailers and 17% to -- 7% to 13% for the carpenters also.

Keshav: Okay, okay, so basically 7% to 13% margin for both. Means that is the margin of the retailer, and the retailer is selling to carpenter. So, both are getting the margin or only one, either retailer is getting or carpenter is getting.

Utkarsh J Patel: No, no, both are getting the margin from our side. Then on top of this, there is a margin of the retailer on top of the carpenter where he is selling to MRP.

Keshav: Okay, I got it.

Utkarsh J Patel: Okay, just the clarity once again. 7% to 13% we are passing to retailers and 7% to 13% we are passing to the carpenters. So, both are getting this margin from us.

Keshav: Sir, I understood that but the MRP at which the product is getting sold in shop, if the Pidilite is selling for Rs. 100, then how much are we selling?

Utkarsh J Patel: Okay, so MRP wise we are, as compared to the Pidilite -- for MRP we are as compared to the Pidilite. But as we are giving the good margin so retailers pass that margin to the consumers. So, all over when the consumer buys the Euro 7000 then it is at attractive rates as compared to Pidilite.

Keshav: Approximately 10%, 5%, how much is in the discount?

Vinay Pandit: Keshav he has already answered that we are giving 7% to 13% to dealers. Now whatever is the MRP this is the effective landed price will be lower than Pidilite. Then it is in his hand what does he want to pass on over and above that.

Keshav: Okay, in any case. Sir now the point is that if you look at our stock there is no institutional shareholding, there is no big investor despite good performance, despite Concall and everything. Sir so why don't we simply get a good auditor amongst the top 4 so that it can build confidence amongst the shareholders? And why don't you list the stock on NSE? What is the problem?

Utkarsh J Patel: There is no problem in that. There is a criteria of NSE listing. So, we will be going to fulfil these criteria in this March. So, we are going to go for the NSE next year. So, there is the criteria of Rs. 75 crore of Net worth should be last 3 years. So that criteria will be fulfilled in this March.

Second thing, recently Taparia Group is onboarded in our stock already last week. So, it's good news that they have invested in our stock for 3% of equity.

Keshav: Sir, I don't know who Taparia Group is but why can't we just get a good auditor?

Vinay Pandit: Keshav, that's a large family office fund. So, they have come on board last week. Regarding auditor we work with RB Kabra and Associates, which is one of the top-notch auditors which is working with Ecovis of Germany which is again one of the top 3 auditors of Germany. So, we have already changed the auditor and bought in a quality auditor last year itself.

Keshav: So which other companies is this great auditor auditing? I mean except for Jyoti Resins, is there any other?

Vinay Pandit: I think you can look that up on yourself. We have already shared the name with you and their results are continuously audited by RB Kabra.

Keshav: Okay, sir. Thank you very much.

Moderator: Thanks. Thank you, Keshav. We will take the next question from the line of Vivek Joshi. Vivek, you can unmute and go ahead, please. The next question from the line of Pranay Dalia. Pranay you can unmute and go ahead please.

Pranay: Yes, Utkarsh ji, many congratulations on good set of numbers. And we run a family office too and this stock has been on our radar for some time. So, I am not keen to ask anything number per se, but I have a few questions if I can ask them. What would be your 5-year vision for the company?

Utkarsh J Patel: So, as I already mentioned that the first, we want to achieve Rs. 500 crores of revenue till 2027. But if we don't talk about the numbers the first thing what our goal plan is that we want to be a national leading position into white glue and we want to be continuous journey into this particular segment till Rs. 1,000 crores of journey. So, this is the vision for that. Because there is a big room that the market is more than Rs. 7,000 crores, Rs. 7,500 crores and we want to reach at least Rs. 1,000 crores of top line into that particular segment. So, as we are more focused into the tertiary sale also. So, we believe in the repeat business repeat customers only. So, we have created separate marketing department, promotion department and separate sales department also for that.

So, the main criteria we want to achieve in ourselves that if the carpenters has the mindset for the gluing application that our brand name should be first in their mind. So, this is the first criteria that we want to achieve. Efforts are into that vision only.

Pranay: In the near future are there any forward integration or backward integration systems or manufacturing out some way or the other. Are you looking at some way of that wherein there would be some forward integration or backward integration in your manufacturing process?

Utkarsh J Patel: Backward integration is very expensive because 95% raw material is the VAM into particular this product and there is no manufacturer into the India and it's a huge CapEx for that. And particular for this volume it is not required and we don't want to diversify our focus with this because already we are getting good margin. So, we don't want to go for that headache of the Capex and depreciations and that thing and it is very tough to maintain that, rather than we need to focus to create more network of ours into the market.

Pranay: So, the thrust is on sales increase at the moment. As you said that you are looking at certain quantum of turnover and any new products in the pipeline in the near future which would be in sync with what we are doing or any diversification into any diverse product from what we are doing. Something like say a Pidilite has got many products other than white adhesives.

Utkarsh J Patel: Right. So, as I mentioned that that is a big room for this white glue and as we all know that. Since 60 years the single dominant player are getting the good, more than 90% market shares. So, we want to achieve at least 30% market share first and that is our goal plan. So, we don't -- actions for that. So, it's a Rs. 7,500 crores market and till we are at maybe land this time to Rs. 280 crores, Rs. 290 crores. So, it's still a huge gap to achieve this. So, we want to focus into this product only.

Pranay: Okay. And so, the one question which I was looking at a manufacturing setup, I mean is the cost of transportation relatively lot lesser than it would be if you go for decentralized manufacturing where you know plants spread across India or that is not feasible?

Utkarsh J Patel: It is feasible. But right now, it is a cost of only hardly 2% max cost 1.5% to 2% for the transportation. So, it is not required to for that. But if we plan very much, very, very high volume to South or East side then we can think about that. But right now, we are planning for the Brownfield expansions into existing plant. We have the space into that.

And if we'll go for the Rs. 5 crores, Rs. 10 crores rupees to invest into the existing plant we'll get the capacity of almost double from here. So, Rs. 500 crores revenue we can generate from existing plant and after that we are planning for the Greenfield nearby the Ahmedabad building, right now.

Pranay: Okay. Just a couple of more questions, sir, if you permit, Utkarsh ji.

Moderator: Pranay, can I just request you to join back the queue?

Pranay: Can you just let me pop in this one, if possible?

Moderator: Okay, sure.

Pranay: There is a lot of free cash lying in your balance sheet and looking what you are generating every quarter, month, whatever it is. So, what is the use of the free cash that you have in mind? Do we look at some big dividend payout for the shareholders or any CapEx acquisition or for that matter, how would it be used?

Utkarsh J Patel: So, there will be three parts of that. First, you already mentioned that dividends. So, dividend, we are giving the 15% of the profit to our investor last three, four years. So, we will continue for that. Definitely we can. But the second plan is, as I mentioned, that Greenfield we are planning in the next three years. So maybe we'll require Rs. 40 crores to Rs. 45 crores for that. But it will be used by gradually, not in a single day. And the third thing we most want to focus to develop our network into the PAN India. So, we are planning to open new states. We are planning to invest into making the branches. As I mentioned that last quarter three that our branches were 38. And if we talk about the quarter one, the branches were 32. So, 32 to 38, 38 to right now 42. So, we have increased 10 branches in nine months.

So, we continue to grow like this. And we want to spread our network pan India. So, we will invest to that. We have onboarded CMO, marketing manager, marketing team. We are planning. So, we want to invest into that. So, brand management, brand investment, we are going to do in consumer also.

Pranay: You are selling only on cash basis or credit basis?

Utkarsh J Patel: No credit basis.

Pranay: How much is the credit period?

Utkarsh J Patel: Sir, it is averagely 118 days around. But if we talk about the old states where we are already mature and developed. So that is 75 to 80 days around. And for the newer market, it goes to the 100, 120 days.

Pranay: Have we had any write-offs in the near past?

Utkarsh J Patel: Percentage wise, if we see, it is all over 17 years history it is not more than 1%.

Pranay: And we are not selling to any of these retailers or wholesalers or distributors through any subsidiary or something. It is directly billed from the company.

Utkarsh J Patel: Directly billed from the company, yeah.

Pranay: That would be enough for the moment. Wish you all the very best for the future. And we hopefully will continue to stay on as investors for a long time.

Utkarsh J Patel: Thank you.

Moderator: Thank you, Pranay. We will take the next question from the line of Krishna Shah. Krishna, you can unmute and ask.

Krishna Shah: I have a quick question. My question is on the capacity increase that you mentioned. So, for the same do you plan to do any fundraise or the same will be done through internal accruals?

Utkarsh J Patel: Internal accruals only.

Krishna Shah: Okay, got it. So that is it. Thank you.

Moderator: We will take the next question from Shubh Shah. Shubh, you can unmute and ask please.

Shubh Shah: Sir, you mentioned you increased branches from 38 to 42. These branches are similar to depot or are they something else? What is the role of these branches?

Utkarsh J Patel: So that is similar to depot. So, what we do, we appoint consignee and sales agents. So basically, it is not our investment into the CapEx for that. And their investment, so we are passing 3% to 4% to them. And they handle the stocks, inventory, billing, dispatch, etc. That is handled by them. So as an example, if we talk about these four branches, so that four branches we opened into the UP. Recently we are focusing on the UP and Delhi. So, like that. So geographically where it is easy to deliver to these retailers, so at that wise we are opening the branches for that.

Shubh Shah: Understood. And so, the last, you mentioned you moved from 30 or 32 branches to 42 branches. In what geographies have these branches opened?

Utkarsh J Patel: Mostly it is in UP and Delhi. But if we talk about the Karnataka, so we have opened the Mangalore also. Then in West Bengal we opened three branches.

Shubh Shah: Understood. And so, before these 32 branches we did not have any significant branches in UP or Delhi?

Utkarsh J Patel: No.

Shubh Shah: Yeah. Understood. Another thing, what are the margins of these CSAs?

Utkarsh J Patel: 3% to 4%.

Shubh Shah: 3 to 4%. Okay, understood. Also, you mentioned we give 7% to 13% margins to our retailers or dealers. What is the similar comparable number for Pidilite?

Utkarsh J Patel: It is 4% to 6%.

Shubh Shah: Sorry, 2% to 6%.

Utkarsh J Patel: 4% to 6%.

Shubh Shah: 4% to 6%. So, for example, Rs. 100 MRP, MRP is same. For Pidilite it would be Rs. 94, Rs. 96 for the dealer and for us it will be much lower.

Utkarsh J Patel: So, this margin actually we are giving on the dealer price, not on the MRP. So, after that margin there is one room also for the retailers that they will sell towards the MRP. So that is his call that how can he give the discount from MRP basis.

Shubh Shah: Understood. So MRP is same but dealer price is different for Pidilite and us.

Utkarsh J Patel: Right. The landing price is basically the more attractive, the loyalty programs, annually, the quarterly offers. So, these all are the difference between them and us.

Shubh Shah: Can you quantify like if Pidilite is Rs. 100, where would our landing price for a dealer be?

Utkarsh J Patel: So, it will be, what I've already mentioned that 7% to 13% from the dealer price.

Shubh Shah: Okay, understood. And also, our volume grew 18%, sales grew 16.5%. So, have you taken a realization drop of 1.5% this quarter?

Utkarsh J Patel: So yeah, basically it can say because as I mentioned that now we are in 10 products. So that has a different strategy and actually we are for the retailers, we are running the different strategies also to grow the market. As an example, if we are in UP and Delhi right now, so we may pass some few discounts into the in bill. So that in bill discounts to new placements of our products. So that go to the little 1.5% realizations into that.

Shubh Shah: So, over the past one year or…

Moderator: I would request you to join back in the queue.

Shubh Shah: Just, it's a follow-up question on the same thing. So, over the past one year or so, have we taken a significant realization drop?

Utkarsh J Patel: I think it's 1.5%, not more than that. Because that's why this margin is maintained. So, it's not much variation into that. Because right now we have increased the volume into the OEMs also. So earlier it was 3%, this year, quarter three it goes to the 6% for the OEM. So, OEMs have -- this type -- we don't run this type of discounts offers or annual loyalty programs or carpenter loyalty programs. So, it is go to the flat to the OEMs. But that has the different range that is that economical grade, mid-range, upper range. So that is the reason. It's a mix of the realization basically.

Shubh Shah: Understood. Thank you.

Moderator: We'll take the next question from the line of Vijay Shah. Vijay, you can go ahead and ask.

Vijay Shah: Thank you for the opportunity. I just had two questions from my side. One is that, sir, we have guided that we want to be in the ballpark of Rs. 500 crores sales by FY27. And you said this year we will probably end by about Rs. 280 crores, Rs. 290 crores in FY25. Are you still confident of that guidance for FY27, sir?

Utkarsh J Patel: So, see, we tried a lot and we have the plans for the 20% of volume growth. And if we'll achieve this 20% of growth, then definitely we can reach by Rs. 450 crores to Rs. 500 crores. And we want to continue for that. But as I mentioned that quarter two was flattish and that just spoiled our average a little bit. So maybe we'll land 17%, 16% of volume growth this time. Yeah. So next two years, we need to work hard and we need to go for 20% to 25% of volume growth. But our efforts are there. And yeah, right now we are optimistic for the coming years for that.

Vijay Shah: Sure. Thank you, sir. My second question is that, sir, if I understand this a little bit on the overall business, you would agree that the CapEx to do our business is not very large. As you said currently, you had said that from current 2000 tons per month, we are going to add another 2,000 tons per month with a brownfield CapEx of INR 10 crores. I think today you have clarified that it is probably going to be 1,500 tons per month.

And the raw material, as you said, sir, 95% of the raw material is VAM, which is an imported product for everybody. So, sir, then what -- if I were to ask you in a different way, that sir, what do you think is our moat that we are able to make 30% margins in this kind of business where raw material is not our distinction, the manufacturing cost is not so high, still we are able to generate 30% EBITDA margins.

So, what do you feel, sir, is a moat of our business that we are able to deliver such healthy profitability numbers?

Utkarsh J Patel: So basically, it is -- see, if you can see, this is not overnight journey. Sorry.

Vijay Shah: Go ahead, sir.

Utkarsh J Patel: Yeah. So, it is not an overnight journey. And 17 years we have invested into this business. And the main effort is to build the trust into the carpenter's mind and into the retailer's mind. And that is the main effort. And it takes years and long years. And this is the reason that we are getting the repeat business. And see, as an example, if we talk about the Gujarat, Rajasthan, MP, that are the earliest states, it is already more than 10 years into these states.

So, every year these dealers has given us the business, every year this carpenter has given us the business. So, it is always a repeat business. And these are the key things to focus into that segment. And so, we want to continue for that. So, this is basically, that's why I chose this model. It is asset light model. And it does not require much CapEx into that. And not much higher technology into that. But it is required more to work into the network building.

Vijay Shah: Sure. Thank you, sir. I wish you all the best.

Utkarsh J Patel: Thank you.

Moderator: Thank you, Vijay. We will take the next question from the line of Harsh Gupta. Harsh, you can unmute and ask.

Harsh Gupta: Hi, Utkarsh ji. Thanks for taking my question. So, a couple of questions from my side. So first, with respect to the newer markets. So, I know you won't quantify region wise data, but just to get a sense of what has been the volume growth across the new territories. And what kind of challenges are we facing with respect to onboarding a dealer or a carpenter in these markets?

Utkarsh J Patel: See always, it is challenging to onboarding the new dealers, new carpenters. But it's as I mentioned, that this is a process. And that we need to have the patience, always with the B2C product -- B2C industry, we are into that. So, it always requires patience. But yes, we got more confidence into the retailers now because as we have proven into the Gujarat, Rajasthan and Maharashtra. So, they are very confident now for our products and they keep trusting in our sentences that is given by our sales team. But definitely, we need to prove for that. And that is on process.

And for the newer markets, percentage wise, we are growing more because the volume is lower into that territory. So, if we talk about example, if in UP we are doing 10 tons, then right now it is in 20 tons. So maybe for UP, we have taken the growth of 100%. But the volumes are low in the initial period. But we are targeting every state as 100 tons per month, at least. So, it is generated Rs. 2.5 crores of, almost Rs. 20 crores, Rs. 25 crores of revenue yearly. So, we are targeting for every state to generate at least for that, the newer states we are talking.

Harsh Gupta: And with the scale up of the new capacity, whether it is brownfield or the way we are looking at the greenfield. So, you want this particular demand which will be coming in from the newer markets or the existing market that will suffice or we will need to explore the newer territories or the access to the OEMs for meeting out the overall requirements.

Utkarsh J Patel: All three together efforts are going on. We are focusing on the existing territory to penetrate more. We are planning to focus for the newer territories for the retail also. And we are onboarding the people and different channel partners for the OEMs also. So, as I mentioned earlier that we want to take OEMs also at least 15%, 20% of our revenue. So, this quarter it is go to 6%.

So, we are aiming to at least reach 10% average year-wise, the first target is. So yeah, all three efforts together.

Harsh Gupta: Just a last question. So, like particularly if I look at the overall demand. So that is primarily linked with the real estate space in a way. Because building material requirement is somewhat suffixed to overall the demand which is emerging out from the real estate space. So right now, when we look at the RE space, it is primarily there in the mid cycle. And there will be a lot of completion which will be taking place just in a matter of near about two to three years.

So whatever scale up, which we are doing, is it pertaining to that particular side of the aspect, like where you see a good amount of thrust and demand coming out from the RE space and that will help in utilizing the overall assets to a greater extent?

Utkarsh J Patel: Yes, of course. This is the reason for that. And second thing, the renovation is also there. As population is going high, as now village is moving towards the towns and cities. And now people are spending with the aesthetical view of their houses, their offices. So, people are earlier stage, they go for the renovation more than 15, 20 years. But now it is maybe 5 to 6 years, 7 years, people are also thinking about the renovations. So, renovations is there, the newer market, the developments of 2 BHK, 3 BHK apartments. So, whenever this real estate grow, definitely this product is -- there's the rocket sky demand for that.

Harsh Gupta: Sure. So, we will continue to maintain an overall 20%, 25% kind of a volume growth over the next 3 to 4 years. That remains our vision. And with respect to the new territories also, just to replicate the Gujarat model, that you seem kind of a visible option, do in near future.

Utkarsh J Patel: Right.

Harsh Gupta: Sure. That's it from my side. Thanks, Utkarsh ji for answering the questions.

Moderator: Thank you for that. We will take the next question from the line of Pranay Devia. Pranay, you can unmute and ask.

Pranay Devia: Yeah. Thank you. Just a couple of more questions, sir. Your main raw material is VAM. So that is a direct function of which commodity, which would affect the pricing of raw material, which will affect the margins.

Utkarsh J Patel: So basically, it is a crude derivative. But as I mentioned that in VAM particular, there is not much variations in the price happens only, except the COVID. Because of that 2, 3 years that was disturbed because all the chemical materials and all the freight components. So otherwise, it is almost Rs. 60 to Rs. 75 between per kg.

Pranay Devia: And which is the largest manufacturer of VAM in the world?

Utkarsh J Patel: So, there are the 4 to 5 largest manufacturers. The Celanese is there. So, they have the plants in Taiwan, in Singapore, in Japan, in China.

Pranay Devia: Okay. And what is the geography that we currently cover in India? How much of it you mentioned that the market size is Rs. 7,500 crores for the white adhesive market. And now your target is to go to the top line of Rs. 500 crores. So how much geography you are covering and how much geography you will have to cover to achieve this target? Because wherever you are, you have already reached number 2 as you say. So, their incremental gain will be difficult. You will have to lap up new places.

Utkarsh J Patel: So right now, we are in 14 states. And as I told you that we have matured. So now we have matured in 5 states out of this 14. So, already there is a lot of penetration remaining, in the remaining 9 states, where there is West Bengal, Telangana, Andhra, Punjab and then UP, Delhi. So, we already have presence in these. We have already appointed our consignee sales agents. Our inventory is available. Our team is available. People are onboarding the marketing team, sales team. So, this is the network. So, there is still a lot left in it.

And for the newer states, if I talk about, we are also planning for the newer states. We will go ahead and plan where we get a good penetration in the existing 14 states. If we get stability, then we are looking for the east part. Bhubaneshwar is there, Bihar is there, in the south Kerala is there, Chennai is there. So, still 5 to 6 states where we will focus further.

Pranay Devia: Thank you Utkarsh ji. You have answered almost all our queries. We hope to interact again in the near future.

Utkarsh J Patel: Thank you.

Moderator: Thank you, Pranay. We will take the next question from the line of Poonam. Poonam, you can unmute and ask.

Poonam: Yeah, hi, thank you so much for taking my question. Mr. Patel, I had a question -- two questions. You are going to expand to other states. So, my question is, and I think you already answered in the previous question. But if you could repeat, which are the states that you are looking to penetrate? And over the next, say, 1 to 3 years, what, according to you, would you have to spend in terms of marketing or your overall operating cost structure? How would it look like? And the third question would be, how do you see your return on capital employed being impacted?

Utkarsh J Patel: So basically, the plans will be balancing plan because I believe that all the channel partners should be incentivized properly to grow the business. So first, we are obviously focused on our employee, our recruitment, our induction program. Second, is our retailers who are keeping our materials. And the third, is the carpenters. So, we have two separate teams for the retailers. So, there is a separate team that sells, but that team are collecting payments, order and take care of the retailers to give the service to the retailers and for the marketing and promotions.

So, for the carpenters, loyalty programs, we have the separate team who are doing the gathering of the carpenters, the promotions, the loyalty program to give them the gifts or we have these loyalty program redemptions, etc. doing by the marketing team. So, this will be the balance plan, balance strategies all put together.

And for the newer states, I already mentioned that the UP, Delhi, the Punjab and Chhattisgarh, the West Bengal, the South, Telangana, these are the more focused territory in which we want to do replica of our Gujarat model to into these states particularly.

Poonam: Right, sir. And we are already having strong return ratios, both in terms of return on capital employed and return on equity. How do you see that shaping in the next two to three years?

Utkarsh J Patel: I think that will be continuous as it is for that because already, we are having this -- sitting on the cash, so we will utilize into the proper way and we will continue for that. So that will be as same what it is right now. So almost 40% around.

Poonam: Okay. Thank you.

Moderator: Thank you, Poonam. We take the next question from the line of Keshav. Keshav, you can unmute and ask.

Keshav: Sir, is the Euro 7000 brand with company or promoter?

Utkarsh J Patel: Sorry, Euro 7000 brand…?

Keshav: Is owned by the company, or is owned by the promoter?

Utkarsh J Patel: Company.

Keshav: Okay, and sir, like you mentioned that from 32 branches we have gone to 42 branches. That's almost 30% increase in 9 months. But sir, if we see our revenue has not moved. It is the same in March quarter, it was INR 71 crore and December quarter is INR 71 crore. So, from 30% increase in branches, we are essentially selling the same quantum of goods.

Utkarsh J Patel: So basically, what is the scenario, I am explaining to you. So, when it is open, that is a process. So basically, we have set the network to grow from here. The branch is the first thing because that is keeping the inventory over there. And you are appointing the consignee and sales agents for that. So right now, we are going to utilize the network of their particular CSA network.

So, these all CSA have the network of laminate and plywood distributorships already. So, we are choosing that CSA only. So, we will leverage their network, their relations now. And after that, we need to onboard our Area Sales Manager, our sales team, our marketing team. So, by saying these 10 branches in different states, different cities, what we have appointed. So, now it is -- this is the first basic step that we need to create for to grow from here.

Keshav: Sir, also, if you could give us some idea that at what package are we -- are the maximum sales coming from? Whether it is from bulk package 20 kg or it is from 500-gram, 1 kg?

Utkarsh J Patel: No, actually, it is mixed. But I can give you the brief, bulk packing is the 30, 50 and 60 kg. So, our half revenue is from 30, 50, 60 kg and half revenue is from 500g, 1, 2, 5, 10, 20 kg.

Keshav: Okay, sir. Sir, and also sir, there is one Nisha IT LLP, which used to hold around 8%, 7%, and this is coming down every quarter. So, is this a promoter group company?

Utkarsh J Patel: No, no, it's not promoter group company. It's a separate entity.

Keshav: Okay. And sir, since our valuations are kept on -- they just keep on falling, even though you are showing such great volume growth. And sir, so I would request you to kindly consider increasing your payout ratio because I think our company is the cheapest FMCG stock. And it is also the lowest payout ratio among the whole FMCG industry. So possibly, if you increase your payout ratio, then maybe the market will develop confidence in our stock. So kindly consider that. Thank you very much.

Utkarsh J Patel: Sure. We can definitely think positive about that. But I believe that all over market is the last two, three months is bleeding like anything and because of the US policies and the things. But I think it will be stable in next quarter. And then definitely we will think about that.

Moderator: Thank you, Keshav. We will take the next question from the line of Shubh Shah. Shubh, you can go ahead and ask, please.

Shubh Shah: Utkarsh ji, what is the cashback or reward which we are giving back to a carpenter post the purchase, per kg?

Utkarsh J Patel: So, it's a 7% to 13% what I mentioned. That depends upon the newer territory and depends upon the already developed territory.

Shubh Shah: But if I were to put a number to it like Rs. 15, Rs. 25, Rs. 30 per kg.

Utkarsh J Patel: IRs. 200, so it is almost Rs. 15 to Rs. 20 per kg.

Shubh Shah: And it has been the same, I think, since…?

Utkarsh J Patel: It's varies to varies state-wise. As an example, right now we are onboarding people into UP or Delhi in the newer states. Then there is definitely an attractive program running on so that we can onboard the people. So, it's a different, it's vary to vary.

Shubh Shah: What would be the similar number for Pidilite?

Utkarsh J Patel: That is 2% to 4% there, for the loyalty program.

Shubh Shah: Understood. That's all. Thank you.

Moderator: Thank you. Thank you, Shubh. That was the last question of the day. Utkarsh sir, if you have any closing comments, you can go ahead.

Utkarsh J Patel: Any questions remaining or it's...?

Moderator: No, sir. That was the last question. If you have any closing comments for the community, you can just tell.

Utkarsh J Patel: Okay. Okay. All over we believe that we are focusing our approach to the markets. And we'll maintain our strategies. And we'll try the best to achieve our 20% of volume growth. And as I mentioned, that will be the balance strategies. We'll do focus on to the retailers, on to the carpenters also. And we'll keep continue to focus into the white glue. And thank you very much for investing in our company. And thank you very much for trusting our brand. We'll keep continue for growing. Thank you.

Vinay Pandit: Thank you. Thank you to all the participants for joining on this call. And thank you to the management team for their valuable time. This brings us to the end of today's conference call. Thank you.