

10th June, 2024

To,
The Manager,
BSE Limited,
Department of Corporate Services,
Phiroze Jeejeebhoy Towers,
Dalal Street, Mumbai - 400 001

Script Code: 514448

Dear Sir,

Subject: Recording of Q4 & FY24 Post Earnings Conference Call

We hereby submit the Transcript of Q4 & FY24 Post Earnings Conference Call held on Thursday, 6th June, 2024.

This is for your information and records.

Thanking You,

Yours Faithfully

For, Jyoti Resins and Adhesives Limited

Utkarsh Patel
Managing Director
DIN: 02874427



Jyoti Resins and Adhesives Limited

Q4 & FY24

POST EARNINGS CONFERENCE CALL

June 6, 2024 10:30 PM IST

Management Team

Utkarsh Patel - Managing Director
Milan Thakkar - Chief Operating Officer

Investor Relations Team

Vinay Pandit – Head (I.R.), Kaptify

Call Coordinator



Strategy & Investor Relations Consulting

Presentation

Vinay Pandit: Ladies and gentlemen, I welcome you all to the Q4 and FY '24 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 and Mr. Milan Thakkar, Chief Operating Officer.

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

I would now request the management to detail us about the business and performance highlights for the quarter and the year that went by, and their growth plans and vision for the coming year, post which we will open the floor for Q&A. Over to you, sir.

Utkarsh Patel: Welcome you all in our Q4 FY '24 post-earnings conference call. In this call, I think, I believe you all have went through our years of presentations and most of the people I believe knows about the business. And in this call, I'd like to hear you all. I'd like to take feedback from you, you all to take this journey next level. So, we can start for the question-and-answer.

Vinay Pandit: Okay. So you want to go to directly question-and-answer?

Utkarsh Patel: Yes, please. It is better to make this conversation better so it will cover all the points.

Question-and-Answer Session

Moderator: Okay, sure. So anybody who wishes to ask a question, please begin. We'll take the first call from Saket Kapoor. Saket, you can go ahead

Saket Kapoor: Utkarshji thank you, sir. Sir, if you could give us an opening remark on the business environment, on the quarter and the annual. And what structural changes are you bringing in your business to make this journey of profitable growth more powerful? If you could give us an opening remark on this aspect, it will be easier for us to ask our questions.

Utkarsh Patel:

Yes. So as you know, this year we have managed a good profitable bottom line with good efforts from total Euro 7000 team. And this year was very critical as the market scenario you all know in building construction material slightly lag in the first two quarters. But we covered the things in quarter three, quarter four better. As you know, we added two new states last year, that is, including Delhi and UP.

We are getting a good response from the product there as well. And we have started to penetrate more into carpenters and users into the new territories. And the existing territories, the mature states, you all know, the western part, Gujarat, Rajasthan, UP, Maharashtra, Karnataka, we have penetrated there as well with more data. We have introduced ERP, CRF systems in this year, which has created very good data.

The product and its details that we need in the data, the kind of consumption of the customers we are getting that data as well. So we can go with the detail, which customers are using which product, how much growth or de-growth they have given us, what is the satisfaction and what is the dissatisfaction. So, we have improved a lot on this data as well.

Saket Kapoor:

So sir, what will this translate? How much work have you done in this, sir? How much work have you done in progress and how much has been completed? And how will we see its benefit in our sales and profit margins? If you can shed some light on this?

Utkarsh Patel:

Yes, please. As I said before three years, when our Carpenter Association Programme started on a digital basis after COVID, we had registered around 1 lakh carpenters. Today, we have reached at least 3 lakh carpenters. We have introduced a lot of registration programmes in all the states. So a lot of carpenters have enrolled.

After registration, they have started filling up from points. We have customised a lot of redemption programmes, territory wise. So it depends upon, for example, we have a common programme of Gujarat, Rajasthan, MP. Maharashtra is a different territory where there is a consumption of pouch packings. So we have a different programme there. We have introduced a different programme for South. So this type of activity is done by the company.

Saket Kapoor:

If you can tell us about the steps you have taken, the sales that we have posted in this quarter of ₹71 crores to ₹72 crores, and our other income

component has been significantly high in this quarter. So first of all, please tell us, can we maintain this revenue of this quarter, or is there any seasonality factor in this? And what is the reason for the increase in other income components which has increased by ₹3 crores?

Utkarsh Patel:

So the interest in other income is due to the FDs that have been created. It has come in the quarter four in March. That is a different part. But if you look at it, the top line of ₹72 crores that we have maintained in quarter four, we have got a lot of push there. And there, margin wise, you will see, there has been a slight de-growth as compared to the business.

But this quarter was so crucial here that where we had to maintain the top line, we had run many sales promotion programmes through, which we got a good push. That is the reason why we have a discount structure. Like our margins are quite handsome and raw material is also down. So, we have acquired many customers with those sales promotion offers in this quarter.

Saket Kapoor:

So going forward, what steps will be there for margin expansion? If we look at our COGS, cost of goods sold, as a percentage of sales, has been on the higher side. You are telling that consumption of raw material is lower. But if we look at the sales and RM ratio, Sir, please correct me if I am wrong. What were you saying in that aspect that I am missing? The prices of raw material have declined and you are giving an advantage to the end consumers?

Utkarsh Patel:

That is not only for this quarter. That is for the entire four quarters. Like that, the prices of raw material, which were there two years ago, have been reduced and we have passed that advantage to acquire customers. But for the quarter four, we have increased the aggression in sales.

Because always quarter three and quarter four, building construction material has a good pump. Where there are not so many festivals, all works are going into the routines. That is when labour is available after Diwali. So, we have taken the benefit of both quarters in such a way that our top line can be maintained. This is what I meant.

Saket Kapoor:

And sir, in Q1, the financial year of this year, will we get the impact of the elections on the volume or is this a normal quarter?

Utkarsh Patel:

Not because of the elections only, but yes, all the things are on track now. All the routines have come into the system. And because of the

way we have expanded the territory, the way we are penetrating, our vision is to achieve all four quarters with a gross of 20%.

Yes, of course, in the first quarter, quarter one and quarter two will always be soft, as you all know. But for quarter three and quarter four, we are definitely optimistic for this year. And yes, of course, we will try to cover and maintain the top line as much as possible in quarter one.

Saket Kapoor: And the price trend of raw material is still stable. I mean, this margin expansion in terms of cost of material consumption, which has come to 27% to 28%, does it look like it is maintaining on sales?

Utkarsh Patel: Yes, there has been a slight increase in raw materials. Yes, there has been an increase in raw materials, but not that much percentage. As we said in all the previous calls, we are comfortable with EBITDA margin of 22% to 25%. These are the rare situations that we have been in for the last one and a half to two years.

And where we have increased growth with the basis of net profit that will be a supportive advantage for the company. Because the cash that has been built in the company, the profit that has been built, will help us in future developments and competitions.

Saket Kapoor: As you said, we can anticipate a 20% revenue growth and EBITDA can be in the range of 22-25%. We can work out the numbers on our ballpark numbers. Right. Sir, two more questions. Employee costs were lower quarter on quarter. Instead of ₹9 crores, it was ₹6 crores. What should be the reasoning for this? And on the front of tax, in this financial year 2023-2024, we paid direct taxes. Sir, our tax payment has been of ₹23 crores. So, if you could explain, why is the income tax proportionate on the higher side? Sorry, I didn't understand.

Utkarsh Patel: Saket, on an annual basis, the tax rate is 25%, which is the normal corporate tax rate. Yes, what was your first question?

Saket Kapoor: Sir, the first question was the employee benefit expenses that are lower by ₹3 crores on Q1-Q2 basis?

Utkarsh Patel: So, there was an increment in the salary of the top management and promoter, but since that was approved only after AGM, so the three-quarter effect was taken in the third quarter. And now the fourth quarter is a normalized quarter.

- Saket Kapoor:** Okay. And the total ₹25 crores employee benefit expense, how much has been paid as remuneration to the promoter? That is 10% around, which we have already put in remuneration. So, that is below that limit. 10% of the profit? Yes. That is, we have a PBT of ₹90 crores. So, ₹9 crores is in your account. Closer to ₹9 crores. Exact amount that I have. We will just take that number from you, sir. Okay. Sir, I will join the queue for my follow-up. Thank you once again.
- Utkarsh Patel:** That is 10% around, which we have already put in remuneration. So, that is below that limit.
- Saket Kapoor:** 10% of the profit?
- Utkarsh Patel:** Yes. That is, we have a PBT of ₹90 crores. So, ₹9 crores is in your account. Closer to ₹9 crores. Exact amount that I have. We will just take that number from you, sir.
- Saket Kapoor:** Okay. Sir, I will join the queue for my follow-up. Thank you once again sir.
- Utkarsh Patel:** Sure. Thank you.
- Moderator:** We will take the next question from Agastya. Agastya, you can go ahead.
- Agastya Dave:** Good morning, everyone. Good morning Vinay Bhai. And namaste, sir. How are you?
- Utkarsh Patel:** I am fine. How are you, Agastya?
- Agastya Dave:** I am fine, great. Sir, Kapoor has asked a lot of questions. I have only two questions. One, sir, your competitors, you have done such a good job in the last few years. Now, from the side of competitors, there have been some reactions. So, what are you seeing in the market, in the dealer side, are they fighting a little, that the progress you have made, the dealers you have converted, the areas where your penetration is increasing, do you see any competitive intensity increasing there, sir? From the side of competition?
- Utkarsh Patel:** You are very right. I see it very positively. If today, because of our Euro 7000 brand, there has been aggression in the competition, it means that somewhere or the other, we have been able to do a good penetration in the hearts and minds of the customers.

Agastya Dave: Yes, of course.

Utkarsh Patel: Today, the competition is in aggression. We have been in the competition for the last year and a half, especially for the last two quarters. But still, despite having so many competitions in these two quarters, we have achieved this number. So, this is the thing where our management is going in the right direction. And yes, of course, this is a very positive thing.

I always look in that aspect, that today our team has a chance, our team is getting motivation, that if a company or team has come to such a turn, then they have also got a chance, that today we will also have to be a little aggressive. So we are more focused to give more service to our clients, to give more detail of the data, that whoever is our carpenters, dealers.

As I have already defined in the first question, that we have strengthened our CRM, ERP systems, that we have made it more strong and invested more in it. The reason is that, where we have got this motivation, so I think on a temporary basis, yes, you are right, we got the effect of the competition, but as our management improves, there will be a path for us also.

Agastya Dave: Very good. sir, I will not say fear, but my question was not so much on numbers, that I am not worried about discount, nor is it about price war or what will happen. I am more concerned about the thing that you are increasing your dealer network, are you getting a little pushback in that? Are you not having any problem there? The growth path you had thought about, that how much time will you take, how many dealers will you take, how many areas will you expand, how many new states will you do, there is no change in that, right?

Utkarsh Patel: In this I can say that, the growth expansion that we were planning in new dealers, new territory, there may be a little slowdown in that. The reason behind that is that we do not want to lose our existing customers, and retaining them is our first priority.

So in this case, it may be that our focus is more on retaining our existing customers first, retaining employees first, and at the same time, we go for new development. So it may be that 10% to 20% of the aggressions we were thinking about, there may be a little slowdown in that. But this is not a problem.

Agastya Dave: That is 19 and 20. Sir, the competitive intensity that you are facing in this, is it happening from the market leader's side, or from the other big player's side? Or is it happening from the small players' side? Who is being the most aggressive?

Utkarsh Patel: See, always, whenever there is a competition, whenever the margins are lucrative, the benefit is always for the customers, in any business. So I think this is the phase where, whether it is dealers or carpenters, they are getting more benefits from the companies. The market leader, he also has aggressions in the market. Other players have also come with aggression.

But as I told you, this was an important phase. And this is a phase where we are getting a chance to improve. We are getting a chance to work in great detail. And this is always a positive sign. Like, there is COVID, or the challenges of GST, or the challenges of demonetization. So when organizations come out of all these challenges, Growth has increased. Correct.

So it becomes very strong like a concrete for the next journey. So I am seeing it this way. And I am always saying that our process will be long term and steady. Our way of doing business will never be in such a mode, neither before nor now, where we stop the money, or take such decisions for growth, where there is a problem. So we never take such decisions.

It may happen that quarter one or quarter two, if two quarters are like this or soft, it may be solved or we may not be able to grow that much. But we don't want to take any decision at that cost. Because always, the speed, whatever company we are, we have been in the industry for 17 years, I have experienced this in the industry.

So I have seen that people come at a certain speed and go back at a certain speed. So I believe that yes, aggression is on the side of the second player, we are penetrating it. And if we talk about the leader, he is also in aggression. But everyone has a segment, everyone has a market.

If you want to give the customer consistent quality, consistent service, and if you stay in touch with them with a detailed focus, then they will also stay in touch with you. This is my strong belief.

Agastya Dave:

Sir, my last question is about demand. One is that there is a prediction that the monsoon season will be good. And there are some signs that consumption is getting better in rural areas consumption patterns. There are very early signs that it is getting better. And plus the election result that has come, probably the government will have to react. Because in rural areas, there are not many seats.

I was just wondering, sir, what do you see in your outlook in semi-urban and rural areas? What do you see now in the organic growth pattern of the market? Sir, I am not asking this question for Jyoti, I am asking for the industry. What do you see in the growth at the industry level? What do you see in the macro level growth? How do you see it? For the next season?

Utkarsh Patel:

See as early as I explained, that already there is a vision for India for everyone. And for the building construction material, all the material, I think, in the next 10-15 years, it will be very booming for the rural also and for the urban also. And yes, you are very right that the way the results have come today, I have a view that this government the growth that is happening now in the rural area is also the same as the question you asked about the competition for the Euro.

So I have answered that we will get another chance to improve here and we will get a motivation. So for the same government, I think, it will be a step forward that in the next five years they will focus on the development especially for the rural. So in the case of here, and we can see the big companies like Grassy Miscane [ph] with the paints and JSW Steel.

So when these people have such a big vision of 10,000 crores so though Asian Paints is a market leader and they have so much penetration still if they see space it means that the market is growing very well. So I am very optimistic for the next 10 years.

Agastya Dave:

Great sir. All the best Utkarshji. Thank you very much for answering the questions and thank you Vinay Bhai for giving us the opportunity. Thank you sir. All the best, sir.

Moderator:

We will take a member from the chat Ms Prajeeta. You can go ahead.

Prajita:

Hi, good morning. I have this question. If I want to buy Euro 7000 in the market, where do I buy it from like if I want to buy fevicol, I can do it from Amazon, Blinkit or Flipkart or from a shop. So if I want to buy

Euro 7000, I don't get to see where can I buy it. Like I stay in Mumbai. Mumbai is a very big market I believe. So where do I buy this? How do I get hold of Jyoti Resins? I mean Euro 7000?

Utkarsh Patel: In the Mumbai market, we have at least 850 counters present in the hardware and plywood shops. So that is 850 counters in Mumbai.

Prajita So do we have a list of distributors or shops from where I can get access and is it possible online?

Utkarsh Patel: See we are in the trade market and always we have focused to our dealers and we want to be loyal to our dealers. So this has always been our strategy and policy that we will not go online and all the end users will have to go through our dealers. So that's why we are not online and we have no plans for the future. So this is a trade business. So hardware, plywood shops are our customers where we have our stocks.

Prajita: Sir, like will I get - can I have an access to the dealers list from where I can procure from them? Can I do it from your website or anywhere?

Utkarsh Patel: Actually I didn't get to your question.

Milan Thakkar: Prajeeta, are you looking at the kind of white glue that you get for stationery or that you get for furniture work?

Prajita: Furniture one?

Milan Thakkar: So for furniture work there are dealers in every region. You can call and you can connect with us. We will help you connect with a dealer in your area.

Prajita: Okay. Okay. Okay. Perfect. All right. Thank you.

Moderator: We will take the next question from Jatin Chawla. Jatin, you can go ahead.

Jatin Chawla: Hi. Thanks Vinay and thanks Utkarsh Bhai for the opportunity. So I have two, three questions. First is I visited a few white glue dealers in Mumbai market and I don't recollect the name right now, but my understanding was that Piddlite has launched a low cost brand to compete with Euro, and because of that there has been some impact on our growth. So how are we responding to this? Are we kind of saying that we will sacrifice our margins a little bit and still go for growth, or

you know we are using some alternate strategies. What is our strategy to counter this aggression from the market leader?

Utkarsh Patel: So they have not launched any low cost adhesives.

Jatin Chawla: I think they are focusing aggressively on a new brand?

Utkarsh Patel: Yes of course. They are aggressively acquiring two companies in 2014. Falcofix and Gujarat Bluecoat. So those brands have some aggressions at the current level. But as I have already explained, our fundamentals are strong. We have been building our base for 17 years. On that base we have seen competitions in today's time that competition always exists.

It is not like that there is leader competition overnight. Competition were there, but we have made a place for it. We have achieved a top line. We are the second largest player after Pidilite. So somewhere we are on the right path. So somewhere we have given satisfaction to the customer with products and basis of quality services regarding that it is repeated.

So, we continue on this path. We will make improvements on this and from wherever we got motivations that we will get more, strong. We will have to build a stronger team and we will have to with the retail. That is not only the one-way solution. Like today we have a cushion, so with that cushion we will pass it and it will be a win-win situation for us.

Yes of course that is needed but the margin we have today is definitely will pass it on to the customer to acquire more confidence of them. But there are so many aspects is happened we will take a 360 degree efforts, branding advertisement, plus promotions discounts, better service, fast deliveries, new products, better products like that.

Jatin Chawla: And in this segment from what I understand with carpenters, connect or loyalty programs that play an important role. So how are you going about that?

Utkarsh Patel: So that is already as I conveyed previously that we have launched in all the states and we are aggressively pursuing our registrations programs. Our recruitment process for the marketing team we have done it very speedily fast. We are creating a lot of datas. We are introduce CRM and introduce more datas.

So these process we are pursuing them aggressively as compared to last year. I strongly believe that if we want to keep the customer with us for the long-term, so this program will provide a very good role going ahead. We'll like to be more focused on this program.

Jatin Chawla: And when you say focus on customer, do you see carpenter as your customer or the end user as your customer?

Utkarsh Patel: See right now, we are focusing for the carpenters, because carpenters are strong decision makers for this product. So very few consumers, are involved to purchase these products. So right now, we should focus on carpenters.

Jatin Chawla: And we have seen that the market leader's share is maintained in a big manner. So what you are gaining is mostly from unorganized, and if it is like that then what is the share of unorganized in the market. What is the scope for somebody, like us to gain share?

Utkarsh Patel: If you see unorganized then the market share is very less, because retail is always a long-term and very tricky process. And as we have done the survey, there are very less unorganized players in retail. So everyone is trying as you know Asian Paints also had launched in 2017, and they have been doing it for the past six years, but they have not been able to catch up in retail. Astral is also there, they are also trying they are coming with different categories of products. So the unorganized and regional players are very less, and if they are in lower segment then we do not do competitions. So, we always aim for the market leader, because they have the biggest market share so that is better to aim giants.

Jatin Chawla: Got it. Got it. Last question from my side, how is our distribution different to the market leader. I am asking this question, because our receivable days are significantly higher, than the market leader four months plus of receivable days in a retail kind of business, normally we don't see that high. So what is the reason for such high receivable days?

Utkarsh Patel: So, I believe that is our strength. We have created company depots so like the channels of Asian Paints and Berger, as compared to that our channels. We are dealing directly to the retailers. So that is why our creditors there in some days, but still as you know the reason is debt free. So that means we are able, to manage money from the business itself.

And the 20% growth line that, we are planning that requirement will not be there we will be able, to manage that fund from here. So, we are comfortable with that days, but the reason is today if we want to penetrate the market. So it will be a process, where we give comfort to the retailers otherwise 80 to 90 days, is a regular policy for any building construction materials, except the cements.

Jatin Chawla: Sir, you offer a slightly higher credit period to your distributors. How does it work? So if the depot is yours, then you will send the goods to the depot. There is no sale booked nor will your receivable be there, receivable will be there when you transfer ownership material to the distributor?

Utkarsh Patel: So as I said we have depots, we have 36 depots across 14 states so our stock is transferred there. And the sale book is done when it goes from the depot to the retailer, means the hardware and plywood shops, are being billed. So this is the channel partnership, this is the process.

Jatin Chawla: Between you and the hardware or plywood shop, there is no middle man in between, you are selling directly?

Utkarsh Patel: Yes. 85% revenue, is by this model only.

Jatin Chawla: Sir, it's also surprising that there is such a big credit period, because what is in your depot will be seen in your inventory, it will not be seen in the receivable?

Milan Thakkar: Yes, you are very right, but as I said when you are billing with the retailers directly. See as an example I will explain today, we started penetrating UP and Delhi we launched this last year. So that is a newer market for us. So we cannot do any terms and conditions, because my product is not familiar. There is no strong consumption there. So our goal is that the existing dealers in UP and Delhi how to place the material of the Euro.

How to promote our product there, so in that condition we cannot ask for the payment terms and conditions. Our priority, is to focus more to grab the market first. So how can we take the market share? So there our credit period increases. So what bifocal system we are working on this, is the company's outside news it has spread among thousands of people. So, there the risk is reduced and it is spread.

- Jatin Chawla:** Got it. Got it. Understood.
- Utkarsh Patel:** It's like Asian Paints and Berger Paints policies, as we know that they are being billed directly from the company's depot, across India.
- Jatin Chawla:** So any plans to gradually reduce this, as the brand becomes stronger in particular states or regions?
- Utkarsh Patel:** See as we have mature states as an example Gujarat, Rajasthan, MP. These states already have a good response to our product, and we have penetrated well and also become profitable. So here our terms and conditions are 75 to 80 days.
- Jatin Chawla:** Okay. Got it.
- Utkarsh Patel:** The newer states and newer markets there it is 120, 150 days or 130 days, it depends on the territory if it works. But as we said, we have completed our CapEx plan. So we don't need funds in such situation, and we are managing from the business. So we should use this fund for better growth. And in all these years of experience, we have learnt that we have the data, we know that bad debts are not coming so in these models, we have better future.
- Jatin Chawla:** Thanks a lot sir for explaining in detail. Thank you.
- Moderator:** Thank you, Jatin. We'll take one person from the chat Mr. Naitik, Naitik, you can go ahead. Hello Naitik?
- Naitik:** Hello, yes can you hear me?
- Moderator:** Yes.
- Naitik:** Yes sure. Sir, my first question to you is that how much revenue do we have from Gujarat, and how much revenue is there outside Gujarat today, and how much was it two to three years ago?
- Milan Thakkar:** That is company data we won't be able to give that information on this call, but we can say that our market share is 35% in Gujarat.
- Naitik:** Okay. That's my question.
- Moderator:** We will go to the next participant Chirag, you can go ahead.

- Chirag:** Hi, thank you Utkarshji for the opportunity. Thanks, Vinay for setting this up. I just had a question on the geographic part only. You can't share it state-wise, but can you tell us how much fatter-fatter sales do we get in the older established geographies is that possible to share?
- Utkarsh Patel:** Yes, so our fatter-fatter sales of 75% to 80% are coming from five states that is Gujarat, Rajasthan, MP, Maharashtra and Karnataka.
- Chirag:** Understood sir, understood, perfect. And in-states, if you feel that in the next couple of years there will be a volume growth of 20% to 21%. So in-states, according to you will your volume growth be around that or will it be less or more according to you?
- Utkarsh Patel:** There is a lot of scope in the existing states and see, there can be two types of growth plans. If we talk about Gujarat where we have done a good effort. We have taken a market share of 35%, so maybe we can do a 5% to 10% growth here. So that will be a good growth according to me.
- And the newer states, there are a lot of development scopes. So there we can increase from 30%, 40% to 25% we can increase the growth possibilities. But the more possibilities of growth is the percentage of revenue that, we will get will be more in the newer states.
- Chirag:** Understood, Utkarsh ji newer states, just for clarity UP or Delhi have been done other than that, do you consider any other states as newer states in, which this growth will come?
- Utkarsh Patel:** Telangana and West Bengal which we launched four years ago before COVID. But there we can see a good scope, and there is a lot of penetration left. So West Bengal and Telangana and Andhra. So these three states, we want to focus more with Delhi and UP also.
- Chirag:** Understood, understood. And on these five states Utkarshji, just like you said the existing five states in comparison to them, is the opportunity size similar or small or big? Can you give us an idea? Like our core states, in comparison to them, how big is the opportunity of these five states?
- Utkarsh Patel:** The opportunity in Maharashtra and Karnataka is quite big. Especially with Karnataka and Maharashtra also. So in these two states if I talk about Maharashtra. We have taken 20% market share. So there is a lot

of scope there. And in Karnataka we took 15% market share. So there is a lot of scope there.

Chirag: And fatter and fatter size, the new five states will be as big as our old five states in terms of overall market size?

Utkarsh Patel: Yes of course. If we talk about Delhi and UP, they are bigger states as compared to others. So in whatever states we have made our product placement and depots, the reason behind it is. There is a lot of scope of infrastructure. If we talk about UP today, UP is growing like anything.

So the next 10 years will be of UP. Delhi is also a very good market. Telangana is also a very good market. West Bengal in the East part, there is a lot of infrastructure development, is going to take place there. So that is also a good market.

Chirag: Understood sir, thank you so much. Last question sir, just a bookkeeping question. Our average realization this year in comparison to last year, what was it? And fatter-fatter can you tell us broadly, the average selling price it was between ₹230 to ₹235?

Utkarsh Patel: It will be between ₹230 to ₹235. There is not much difference - there is a difference of ₹2 to ₹3 up or down. It depends on our promotion discounts like we have varied it from quarter-to-quarter. So the rest is fatter-fatter the same between ₹230 to ₹235.

Chirag: And this is the selling price in our market, which we are selling to our partners. Not that because in our revenue we do an accounting treatment, by removing it. We are talking about the normal selling price just to confirm?

Utkarsh Patel: Yes, yes.

Chirag: Thank you. Thank you from me.

Moderator: Thanks Chirag. We'll take the next question from Umesh Gupta. Umesh, you can go ahead.

Umesh Gupta: Hi, am I audible?

Moderator: Yes.

Umesh Gupta:

Okay, thank you. Thank you for this opportunity. Utkarshji, my question is about your guidance. This is a question and a suggestion considering your guidance in the past, because you have a small cap, micro-cap company and you are engaging a concall with the investor community. So I believe that you want to continue in the long-term.

So my first observation is, that in the last year, you gave 25% growth guidance. And in the first two quarters, your growth did not come, and I met you and asked you the same question. So you were in denial mode in the last year that it will come, it will come. But ultimately, your growth did not come in the last year.

And now you have given 20% to 25% growth guidance in your presentation, you are talking here too. And you are also saying that, the first two quarters will be soft again. So what will happen if the first two quarters are soft again, or you grow 5% to 10%. So your target of 20% growth this year that, will mean that you will have to grow 30% to 35% in the second half.

So my opinion is that, if you feel that the situation is tough or if your plan is long-term, or if it will take time in the short-term. Then you should not give such aggressive guidance to the market. And secondly, if you are giving and you feel that it is not getting executed, then you should revise it.

Instead of sticking to it, and not being able to deliver it at the end of the year. So my question is that the guidance you have given 20% to 25%, how much confidence do you have in it? Is it aggressive or conservative, or do you feel that you want to revise it after the first half?

Utkarsh Patel:

See, you are right. Last year, we did not have the projections of 20% to 25% growth. But if you look at the history, if you look at the growth of the last five to six years. So we have seen a good growth in the last two years, after COVID. Where the growth is 30% to 40%. So the numbers from the past history, show that 20% growth is not possible.

Yes, there are many reasons, why we could not do it last year. But if you look at the last two years, the profit margin if we take 20% or 18% EBITDA guide today the EBITDA guide is 30% to 34%. So it is not that the numbers are not realistic. See, management always has a plan and a vision, and it is important to be optimistic. There were many reasons why we could not do the growth plan last year.

Because as I said, not for the first two quarters, but for this year I am talking about. What I mean to say that, the first two quarters of any building construction material you can look at any company. So as comparatively, it is soft in quarter third and quarter four. Quarter three and quarter four is more, better as compared to quarter one, quarter two.

And if you look at the growth plan, if we talk about Pidilite or SL. So in this product, there was no growth in last year. Everyone has matched the top line. So there were many reasons, like the cyclone effect in Gujarat then it was the migrations effect last year. Competitions, as you can see, there has been an aggression in the last two to three quarters.

Many players have come to the markets. So there are so many reasons, but the way our plan has been done. But which way for example today so I will transfer this call to Milan Bhai. He will explain more to you. Milan Bhai has joined us. We have been in the association for six months. He has also understood the business very well.

And right now he is penetrating more to expand this business as I told you, we are investing a lot in CRM. More or less in our sales team, if I talk about the last two quarters, we have added 40 to 50 sales people in all states. We added Delhi, UP last year. So, we are planning to expand in all ways. Today, we are planning in CapEx. Our 2,000 tons capacity in that place we have applied for 5,000 capacity tons for environment clearance.

So it is a process. I believe that this business model should not be seen from quarter-to-quarter, but if you see it in the long-term vision of three to five years, you will get the numbers. As far as the numbers are concerned, I don't want to claim the numbers. So that is our plan, what we are planning to execute. This is our growth plan that we want to grow from 20% that I'm explaining you.

Umesh Gupta:

Thank you for your answer, sir. I am not denying you, you can add 30%, 15% you can add any number there is no restriction. You should have an aggressive plan, you should be optimistic. But after two to three quarters of the year when you feel that it is not achieving this year then you should revise it. This is the practice of good governance. If you don't want to do it, it is your decision, your company whatever you decide you can do it.

Since you are engaging with the investor community, if you are doing a concall in every quarter and you are doing concall twice a year. And

if you think in your previous concall you are not doing it as you said in the last call then I think you should course correct it and to guide the market and to guide the analysts it's not a problem. You can tell them that this year the plan is not working. And this year 20% guidance...?

Vinay Pandit:

Umesh, Umesh, let me answer that question. We are not guiding for annual volume growth. We are guiding for compounded annual growth rate, which is over a period of three to five years. A compounded annual growth over three to five years does not keep changing every quarter. We had given the guidance for a compounded annual growth rate of three to five years 20% on the base of FY '23, which we have clearly written that we are now guiding for the base of FY '24.

Umesh Gupta:

No first of all if you see it was 25%. Second if it was compounded so first year of compounding you made it to zero. That means that you have to revise it to 30%, 35%?

Vinay Pandit:

So no, no we have revised our guidance now on the base of FY '24, which was previously on the base of FY '23. And we have clearly mentioned that in the presentation.

Umesh Gupta:

Anyways as I said it is not a question it is a suggestion, you want to take it, take it, you want to leave it, it is up to you. This was my suggestion based on your past track record...?

Utkarsh Patel:

No what you said is absolutely right, Umesh. But the explanation I have gave you, I want to say the same thing. See quarter four we use to generate an average of ₹60 crores to ₹63 crores. So in quarter four it was ₹72 crores. So today, we have jumped it to ₹10 crores in Q4. So wherever, we get the opportunity to capture the market.

And as I said in the beginning of the call I like to hear you all. I am definitely open for suggestion and I understand what you are saying. You are absolutely right that the revenue numbers we got from the last four quarters. But as you said not everything is perfect. Today, the growth of the margin, the investor never expected it from Jyoti revenue, which has been coming for the last two years. So that is also a positive sign.

Today, we are debt free, plus as I explained to you bringing growth, bringing revenue numbers. It is very easy. Today, the company has ₹120 crores. And if we start throwing it, then the growth will come in two quarters. There is nothing big in that. But what about the long-term

strategy. I always think for the customers first. Today pushing the materials to the retailers, which other companies have done wrong.

And if you look at the adhesive market today, no one is successful after Pidilite. So that means that the market is tough. The penetration of this product will be tough, because of this, good players, big financial groups I don't want to name them in this call. But you know that they are not surviving and not being able to penetrate. So, the mistakes that other companies have done.

We have to learn from them that we have to come in this phase and do top line, top line like that. Today, the material is an example if you look at retail-to-retail, what is happening to the retailers. All the companies push the material to the retailers, there is no scheme, meaning no discounts, and meaning has come Diwali. Now, when the material will not be lifted from below in a good way.

Then the retailer will give the payment and get suppressed. Then with the company's the retailation will be spoiled. Today, we are not working in that strategy. Today, we are working in Delhi and UP like the question you asked, why are, you going for 120 days. The reason is that we cannot ask for that payment till the time our product does not penetrate there and we don't get repeat orders.

Now if you ask, the customer will give the payment, but later he will think that the company is under pressure. And then he will think to himself, the company put the material and has taken the money. So, this is not our strategy. I always tell the investors that if you look at quarter-to-quarter then you will never understand this business, because this is a consumer business. And if you look at it from the horizon of three to five years then you will understand better this business. This is what I mean.

Umesh Gupta: Thank you very much Utkarshji all the very best to you.

Utkarsh Patel: Thank you.

Moderator: Thanks Umesh. Before we go to the next participant. I would like to take a few questions from the chat. Mr. Raj Shah has asked the question sir. It is regarding margin, company has 33% in FY '24 and consistently, we have been above 30%. Any specific reason, we are guiding for 22% to 25% margin going forward?

Utkarsh Patel: So, as we already explained that the margin - we are getting here, that is because of the raw material. So, we are expecting that the raw material will be sustained at a certain number. And we will also grow and do branding more. And also to pass our retailers and our carpenters for the loyalty programs. So if take a look at all things then we have a 10% cushion plan, because of which we are giving this 22% to 25% number.

Moderator: Okay. Then there is a question Mr. Pratik Bagaria, how does the company plan to utilize its cash?

Utkarsh Patel: In the future, when we are utilizing the capacity of our production. We are utilizing 55% to 60%. So for the numbers that we have to achieve in the future. We have planned for ₹30 crores to ₹35 crores for CapEx plus also we like to spend more into product awareness, branding and marketing strategies, also in team building.

Moderator: There is a question from Sanchez Chawla. As mentioned by the management, the company has 30% market share in Mumbai. I have been to five hardware stores across Mumbai I have not been able to find it. Although it was available with two plywood stores, is there any strategy to expand distribution to hardware stores also?

Utkarsh Patel: Yes, actually we have given 20% market share in communications. There is no mistake here...

Moderator: Sir, he is only talking about Mumbai?

Utkarsh Patel: Yes I am telling for Mumbai only, we have achieved 20% market share. So, yes, our focus will be to have more penetration in hardware shops. For that, we have recruited a consignment sales agent four months back. So, that will also give more expansion in the hardware market also.

Moderator: There is one question on chat from Mr. Manjunath Reddy. Sir, any plans of adding additional related products to product portfolio? Other than white glue I presume?

Utkarsh Patel: As we have explained in the previous calls. This is a retail market of ₹6,000 crores of white glue. So, we are seeing a very good scope here. Our entire team building is based on a top line plan of ₹1,000 crores. So, till we don't achieve the top line of ₹1,000 crores. We don't want to diversify our team, by adding new products and there is a scope. We

still have to take a lot of market share. So till ₹1,000 crores we don't want to add any product.

Moderator: There is another question from Rohan Patel. When do you plan to do the new CapEx? And what was our capacity utilization for FY '24?

Utkarsh Patel: We will start planning for the new CapEx from next year and that will be completely executed within next year. So within two years that will be executed.

Moderator: One more question from Sanchita Chawla. Are there any price cuts taken in Q3 or Q4 by you or competition?

Utkarsh Patel: That is 2% around 2% to 3% around that price reduction inbuilt discount, we have passed to retailers.

Moderator: Sir, we will take the next question from Saket Kapoor. Saket, you can go ahead.

Saket Kapoor: Utkarshji, you are saying the margin gain we have experienced in this year the EBITDA margin. We want to sacrifice a substantial portion of that in discounting and in business growth. Is the understanding right that the EBITDA margin of 32% to 33% is not sustainable. And if we want to do more business then you will execute it on lower EBITDA margin?

Utkarsh Patel: I think the EBITDA margin of 22% to 25% that we are claiming is not lower EBITDA. It's a good EBITDA margin. The remaining 7% to 8% or 10% gap. Like I explained branding, advertisement then to pass through the channels, because of the competition, because of the loyalty programs. So there are always 2%, 3%, 2%, 3% cushion we want to keep that.

Because we don't want to lose our customers. We don't want to take a decision of not growing by taking a margin of 32%, 34%. So it is better to pass that margin and add it to the business and take more growth. So this will be our strategy.

Saket Kapoor: Sir, the question is if we are sacrificing margin going ahead. Does this translate into business volume? What will happen first will your volume increase if you sacrifice margin?

- Utkarsh Patel:** This is right. There should be volume if we are sacrificing margin then there should be volume growth. So yes of course, whatever margin we sacrifice the base of that will definitely be for volume so how will we be able to grow the volume.
- Saket Kapoor:** So for big investors, we will see growth in absolute numbers whether it is our top line or bottom line. If you will keep both aspects in mind in terms of the strategy you are applying?
- Utkarsh Patel:** You are very right.
- Saket Kapoor:** Sir, what have you commented on utilization levels? What are the current utilization levels in the current financial year and what will we reach this year?
- Utkarsh Patel:** For the revenue number you are asking?
- Saket Kapoor:** Utilization levels in terms of volume sir, what are the utilization levels in our capacity?
- Utkarsh Patel:** Right now we are utilizing 55% of our capacity.
- Saket Kapoor:** Okay. And what can it reach in the peak? The total capacity when we run on the optimum level...?
- Utkarsh Patel:** ₹450 crores to ₹500 crore revenue.
- Saket Kapoor:** ₹450 crores to ₹500 crore revenue and what is the utilization levels in terms of percentage. In our business model can we achieve 90% or 70% to 75% nameplate is equal to 100%?
- Utkarsh Patel:** No, we can achieve 90%.
- Saket Kapoor:** Okay. So now we don't have any requirement for CapEx at least for this financial year, because 50% to 55% is on the lower side?
- Utkarsh Patel:** We will start as fast as possible from next year. For this year, we don't have any requirement. But from this year-end our plan will start and we will execute it in next year.
- Saket Kapoor:** Okay. Sir, if we see the percentage of revenue share in the entire year. How much is H1 total top line and what is H2 in which there is seasonality and other factors are excluded?

- Utkarsh Patel:** It is between 40%, 45% and 60%, 65% of ratio between H1 and H2.
- Saket Kapoor:** Yes, sir.
- Vinay Pandit:** H1 is also the monsoon quarter. So, we tend to go soft in that quarter.
- Utkarsh Patel:** Yes sir. So it will have an impact in September quarter. And if there is extended monsoon, it will percolate...
- Vinay Pandit:** On H1 basis. But as per quarter to September quarter you can see the growth, because it's quarter year-on-year.
- Saket Kapoor:** Right, sir. And the balance of ₹89 crores in other current liabilities, is it on the front of raw material? How should it be read?
- Utkarsh Patel:** Vinajji, can you explain please?
- Vinay Pandit:** This is the provisioning that we do for the redemption points as liability for expenses it's that.
- Saket Kapoor:** The total amount is ₹89 crores?
- Vinay Pandit:** Yes, this has always been in ₹80 crores to ₹90 crores range against that we have cash and cash equivalents of around ₹112 crores.
- Saket Kapoor:** Okay. And how will this rebalancing be? How will this liability get executed? How will we be free from this liability?
- Vinay Pandit:** So, as and when the carpenter will redeem the points, right. This liability goes down. And against whatever he redeems, he gets given the gift against that the cash goes down proportionately. And whenever there is any new point created, this liability goes up.
- Saket Kapoor:** Sir, what is the initiation of the carpenter? When does he get the habit of redeeming? As per his requirement, do you give any indication or do you give a guide as per which he does it?
- Vinay Pandit:** Utkarshji, would you answer that?
- Utkarsh Patel:** We have loyalty programs brochures in which there are many gift articles on different points so that depends upon the carpenters. But in one year, we launch three to four gift articles in which 80% to 90%

people are motivated to redeem it. And it is very attractive on small points. So, that is our regular process plus, there are many carpenters who have been loyal to our product for years.

So, they want to achieve big slabs and last slabs, because of which they can get a good benefit. As an example, our bikes, Honda Activa, air conditioners, home appliances many carpenters redeem in those too. So, that depends if we talk about the new state. When we launch these programs in the new state it is customized. There are good gifts on less points, because it is the phase of the beginning so carpenter does not draw such long points. So, we do it on small points. So that depends it varies state-wise and season-wise.

Saket Kapoor: Sir, what is the peak balance? When does the balance peak in the last year? And when does the redemption process start? This balance is good?

Utkarsh Patel: It is average quarter-to-quarter. It is maintained in quarter-to-quarter. Likely in May month is if we talk about last month, the May month, most of the migration of carpenters is more. As we all know that UP and Rajasthan is the state where 80% to 90% carpenters belong to India. So they migrate to their native place. So there is a little slack where redemption happens. While averagely it's quarter-to-quarter.

Saket Kapoor: Sir, we should go by net of balance the ₹100 crores to ₹125 crores cash we talk about it is actually ₹40 crores to ₹45 crores. We cannot leverage against this liability. We have to keep it in that ratio so the earning we get is from the interest that is what the understanding should be.

Utkarsh Patel: True, true.

Saket Kapoor: Thank you very much, sir to Vinayji and the entire team sir, will we keep it quarterly or half yearly concall?

Utkarsh Patel: If we find any points that we should share with the investors. If we have any such strategies or decisions then we will definitely do quarter-to-quarter. Otherwise, if there is any routine then we will do half yearly and yearly.

Saket Kapoor: Okay. Thank you, sir. Thank you.

Utkarsh Patel: Thank you.

Moderator: We will go to the next participant, Pawan Kumar. Pawan, you can go ahead please.

Pawan Kumar: Thank you for the opportunity Utkarshji, I would like to know as you were telling even Pidilite is not able to grow for the last one year and same with us. Do you see early signs of revival in the industry? Can you share some maybe green shoots what's really happening in the industry? That is why you are so confident that you will be able to grow faster?

Utkarsh Patel: I will hand over these questions to Mr. Milan Bhai, Milan Bhai, would you like to answer this question?

Milan Thakkar: Hi, Pawanji, namaskar. Good morning, everybody. Okay. See, overall our analysis is that the industry is growing at 5% to 7% and we as Euro family and we have larger growth plans, because our states, the not so matured states we are putting a lot of effort, Pawanji. And we think that the overall market will be better this year, because of the elections because of so many reasons.

Last year, we saw stagnated growth, but this year we are very bullish about the growth plans. And also the way we are approaching the market and the preparation we are doing on the ground to look at our developing states which is West Bengal, Telangana, Delhi and UP. Is where we are going to put more effort and we are going to see a little more growth vis-a-vis the standard growth of the industry. If this answers your question, please.

Pawan Kumar: Okay. Milanji, one more thing will our growth come more from our new geography or from our old geography? Some sense on that?

Milan Thakkar: See, in both geographies, the existing geographies we know the potential of the matured states, which we spoke about. In that, we are working hard in terms of taking a little more market share. But that will be a smaller pie. So example, if Gujarat at 35% that can go up to 40%. But the developing states, where we can expect a little more, because the base is low.

You understand like West Bengal, Telangana, Delhi and UP where we can see a little faster growth in terms of volume, which will give us a little good standing in the market So, there is a parallel effort everywhere. But you can expect more growth from the developing states vis-a-vis the developed states. If that helps you to understand, Pawan.

Pawan Kumar: Okay. And one little question, like if I really see for the next four to five years. Our aspiration is to grow Pan India or like we want to grow gradually in geographies. What's are broader plan?

Milan Thakkar: See, our approach and our success mantra has been gradual penetration, because as Utkarsh informed you our business is ground-up business. Our business is not that you start the territory and you know it's a very, very detail oriented retail focus business.

What we are doing today in Delhi and UP, we are going counter-to-counter and we are looking at penetrating the market in the right way So, we will go, district-by-district where we have a stability, where we have repeat customers, where we know our payments are streamlined. Then we will go to a new state. That has always helped us.

Because this is in the past also we started, the way last 17 years progress has been. This is the similar effort and, which has worked for us as a business strategy. Rather than so, eventually so don't say it will take a lot of time to present Pan India. But once we mature in these states. We will open new territories faster and mature them faster That's what you can expect in the course of time, Pawan.

Pawan Kumar: Okay. And as Utkarsh is also telling that now UP and Delhi might be our big geographies to look into. So, going forward would the capacity come into these areas or would we keep sourcing from our where are our last site now?

Milan Thakkar: Existing capacity is at 55% and it is, you know we will source from our existing capacity itself. And in the long run currently we can serve these places. And today we have a bad run [ph] in terms of our P&L. So, we will serve and feed from the existing capacities. But in the course of time as need base we will expand geographically, Pawan.

Pawan Kumar: Thank you for all the answers. Thank you.

Milan Thakkar: Thank you, Pawan.

Moderator: Thank you, Pawan. We will take the last question for the day from Rohan. Rohan, you had raised your hand, you want to ask a question. Since he has pulled down his hand. So we will bring an end to the conference call. Would you like to give any closing comments, sir?

Utkarsh Patel: Yes, as I said that is nice to hear you all. Thank you for the feedback and suggestions and me and Milanji including all the top management. We will try our best and put our best to grow from here. And thank you very much for this call.

Milan Thakkar: Thank you everybody Thank you Vinayji. Thank you all the participants. We appreciate your time and effort and we will keep seeking your guidance in course of time. And we promise to grow together. Thank you so much.

Vinay Pandit: Thank you to all the participants for joining on the call and thank you to the management. This brings us to the end of today's conference call. You may all disconnect now. Thank you, sir.