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SYNTHETIC WOOD ADHESIVE

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27.11.2024

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

Script Code: 514448

Dear Sir/Madam,

Subject – Conference call Transcript of Q2 & H1 FY25 Post Earnings Conference Call

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we hereby submits the Conference call Transcript of Q2 & H1 FY25 Post Earnings Conference Call.

Kindly take the same on your records.

Thanking You,

Yours Faithfully

For, Jyoti Resins and Adhesives Limited

UTKARSH JAGDISHBHAI PATEL
Digitally signed by UTKARSH JAGDISHBHAI PATEL
Date: 2024.11.27 17:48:28 +05'30'

Utkarsh Patel
Managing Director
DIN: 02874427

Jyoti Resins and Adhesives Limited

Q2 & H1 FY25

POST EARNINGS CONFERENCE CALL

November 21, 2024 10:00 AM IST

Management Team

Utkarsh Patel - Managing Director

Call Coordinator

KAPTIFY®

Strategy & Investor Relations Consulting

Presentation

Vinay Pandit: Ladies and gentlemen, I welcome you all to the Q2 and H1 FY '25 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 half year ended September. The plan and vision for the coming years post, which we will open the floor for Q&A. Over to you sir.

Utkarsh Patel: Thank you, Vinayji. Happy New Year to all our investors. And I hope you all are doing good. About the business yes quarter two, the result has already announced. And you all know that the market is as - a little flat, and the demand was slow. But still the festivals and the rainy seasons are over now.

So for next quarter three and quarter four, the market is now very bullish, for the building and construction materials. We strongly believe that. And about the raw materials, the raw materials are as soft as earlier. So there is no increase in the raw materials costing. So, we can start for question-and-answer.

Question-and-Answer Session

Moderator: Okay. Anybody who wishes to ask a question, may use the option of raise hand or you can put a question in the chat box. We'll take the first question from Madhur. Madhur, you can go ahead please.

Madhur: Hi, good morning sir. Thank you for the opportunity. Sir, I wanted to understand. When I look at - our H1 numbers, we had highlighted that we'll sacrifice on the margin. But there would be a volume and the revenue growth that would flow into. But that hasn't happened. So why is that? And when can we see this margin reduction strategy that we are following, to flow into our numbers?

Utkarsh Patel: Yes Madhur, so you are very right that were the plans. But actually the market was very, very soft. As we done - lots of effort with the team.

And the demand from the tertiary level was very slow. And it happens to all the companies, as the results are announced for all the companies now. For the quarter two, you have observed that. We have observed that the demand was totally slow. So it will be very risky strategy.

We thought that if we push the more material through to the retailers, to the distributors then maybe the chances are to make that heavy debtors on that. And also the demand is not good into the ground levels. So it will be not a good strategy. So I thought we will cover into that - into the quarter three and quarter four, when the market will be the stable and in good positions.

That is the reason that, but we have also passed some - the discounts also. It's not like that we have not passed that discounts. We have made offers into the Diwali opening Muhurat for the 10, 15 days also, for the silver coins and etc. So it also gives us the good response for that. And so that's why we are able, to at least cover the volume as per earlier.

Madhur: Okay. So for FY '25, what kind of top line and bottom line growth, do we see for our business?

Utkarsh Patel: So as I mentioned, that was the plan for the 20% of volume growth. And as we have taken the volume growth in quarter one, 20% around. But quarter two, because of the rainy seasons and the festivals and the demand - slow demands, we just stay flattish. So for the quarter three, quarter four, we will try our best to achieve at least 20%, 25% of volume growth. So we can reach at least 15% of volume growth end of the year.

Madhur: Okay. And sir, on the price pricing front, do we see some kind of price high core price realization growth in H2?

Utkarsh Patel: No, price is not any variations in the price. I think it will be flat for that yes.

Madhur: Okay. And sir on the margin front, do we see margins to be stable, or do we see - that they'll go. They'll reduce a bit, but that will be covered up in volumes?

Utkarsh Patel: So as I mentioned that we are planning to - for the 3% to 4% for the sales promotion discounts, or price reductions. We have keep it with ourselves from this operating profit margin, and more 3% to 4%, we want to invest in branding and advertising. So we have started that and it is in the process. So it's not like that. That amount is totally used in the current quarter. But we believe that the operating profit margin will be 28% to 30%, around end of the year.

Madhur: 28% to 30%. Okay. Got it, sir. Sir, just a final few questions from my side. Sir, we have highlighted that our ASP increased, because of the share of premium product that has increased. So what percentage of our revenue would come from premium products versus our regular products? And sir, what would be these premium products that, we have highlighted?

Utkarsh Patel: So that are the two products EXTREME 3 and ULTRA 5IN1. So that is 30%, 35% from our revenue. So earlier like it was around 25%. So it is increased almost 10% for the premium product shares?

Madhur: Okay. And 25% would be a year ago, or what would be when this would be 25%?

Utkarsh Patel: That I need to check exactly that, I need to check exactly. So I don't have the exact data for that. But if we talk about the last year, yes it was around 22% to 25% and now it is 35%. So it is gradually increased within last two, three quarters, you can say.

Madhur: Okay. And sir, how are the economics for this product? So what kind of from our - if our regular product would be at an average selling price of 100, are these products how much higher are they? And on the margin front how much excess margin can we own on these?

Utkarsh Patel: I cannot say the exact excess, what margin we are getting from the premium products. But I can say about the realizations value, it is around 8% to 10% category wise. So as an example, if I talk about our medium premium product WP 2IN1, which we are selling the most as I mentioned the waterproof adhesives. So if it is in a 200 range, then the premium product will be ₹220 around. And again the most premium product will be ₹240 around. So almost 8% to 10% gap between each products we can say.

Madhur: Okay. Sir, got it. Sir, I wanted to understand. We have on our FY '24 balance sheet we have current liabilities that are unpaid expenses of ₹84 crores versus ₹81.5 crores in FY '23. So what are these and why aren't we debiting it into our P&L?

Utkarsh Patel: So that is basically provisional expenses created. And as we have mentioned in earlier calls that these are the points, and sales promotions offers we have made for the carpenters and the retailers. So these are mostly 80% is for the carpenter point loyalty programs, and 20% for the loyalty program for dealers?

Madhur: Okay. Sir, got it. So just a final question. Sir, on a dealer level, sir what kind of discount or dealer margin do we provide versus Fevicol, so that our volumes grow versus our dealers?

Utkarsh Patel: Pidilite providing almost 4% to 5% to the dealers, and we are providing 8% to 12%. Maybe it goes to the 13% or 14%, as compared to the newer territory and the mature territory. So it is average 8% to 13% we can say.

Madhur: Okay, sir. Sir, got it. Sir, thank you so much, and I'll get back in the queue.

Utkarsh Patel: Thank you.

Madhur: Thank you, sir.

Moderator: Thanks, Madhur. We'll take the next question from the line of Shubh Shah. Shubh, you can unmute and go ahead please.

Shubh Shah: Yes sir. Thanks for the opportunity. Sir, I have two broad questions. First is can you breakdown this year's - this quarter's and first half volume growth and price change. As I understand the ASP has your pass on discount in this quarter, right?

Utkarsh Patel: Right.

Shubh Shah: So like any directional number on the percentage price decrease and percentage volume growth for this quarter and first half?

Utkarsh Patel: It's not a price decreased, but as announcement of the price remain the same. But we have run the different kind of sales promotions offers as per the festivals as per state wise. As we all know that the India, India has a different kind of mind set in each state. So, we are running 14 states. So as our five states are mature enough and nine states are still we are growing, growing states. So, we have used a different kind of strategy.

But it will be very tough that, I can give the details breakup for this. But as an example we run silver coin offers into the Muhurat order for the

Gujarat, Rajasthan, MP for the - if I talk about the UP and Delhi. Then we went for the hard bags for the - we tie up with the American tourister bags for that. If you talk about the Karnataka then we have went for some gold offers like that. So it's a different strategies we use for that?

Shubh Shah: Understood. So on this front it was taken from the previous question that ASP overall ASP has increased, but still - discounting has also increased in this quarter. Discounting or incentives if that's the correct understanding?

Utkarsh Patel: Right.

Shubh Shah: Understood. And sir, on the volume growth front any directional number on Q2 and H1 volume growth. So, in Q1, we did 20% volume growth for Q2, and H1 overall?

Utkarsh Patel: Q2 is a flattish almost y-o-y.

Shubh Shah: Understood. As a last question any comments on how did our core geographies and the new geographies do for the first half and this quarter. So, core geographical, Gujarat, Maharashtra etc, and the new geographies, North India, all of those things?

Utkarsh Patel: So for the quarter two actually what happens for the newer territory? Actually we are getting good response into the quarter two, but the volume is that are the initial stage and the volume is not much higher. So it doesn't reflect on the balance sheets. But as an example if you talk about the UP for the Lucknow is a big territory for us for the UP, but if I talk about the Jhansi, Varanasi that are the smaller territory.

But that smaller territory actually give us the 100% volume growth this quarter two, as compared to quarter one. So if I consider quarter one to quarter two, because as an example in Varanasi we were doing 5 tonnes into the quarter one, but this time quarter two we have done 10 tonnes. So it is volume wise that is 100% growth into that territory. But 5 tonne and 10 tonne is not much volume all over, so it doesn't reflect much under the balance sheets actually.

Shubh Shah: Okay. Understood, understood. And what was the growth, volume growth in our core territories, it was flattish, flattish for Q2?

Utkarsh Patel: For Q2.

Shubh Shah: Understood, understood. And so in the Q1 in which, we had like 20% volume growth, was it also driven by flattish growth in our core territories, and much higher growth in the new territories, or is it was something else?

Utkarsh Patel: No, it is more into the core territory actually, because the volume is higher into the core territory. So into the core territory. And also as I mentioned that in newer market we are getting good response and good placements are there now dealers are giving us the repeat orders also. As I mentioned into the quarter two, we get that response in Varanasi, in Jhansi in Lucknow.

Shubh Shah: Right. And sir, the last question, so for now out of you know roughly 12,000 tonnes of volume, what would be the proportion of volume that comes from new territories? And any guidance on that proportion going in the next two, three years what that number could look like?

Utkarsh Patel: That is very tough to say right now actually, because the growth will become into the both territory. Because if I talk about the core territory still there is a very big scope into that. As an example, if I talk about the Karnataka, we are doing good into the Karnataka. But if I talk about the market share, then it is only 15% market share, we have taken yet. So it is. We are more optimistic to grow this territory, at least double from here. So yes, it will be the mix efforts together?

Shubh Shah: Okay. All right. Very helpful and clear. Thank you.

Utkarsh Patel: Thank you.

Moderator: Thank you, Shubh. We'll take the next question from Harsha Banka. Harsha, you can go ahead please.

Harsha Banka: Good morning, sir. My first question is why, do you say your second largest adhesives brand when Jivanjor sales, which is a Jubilant industries brand they are more than Jyoti sales and both are in Wood Adhesives.

Utkarsh Patel: Okay. So, I want to clarify that the Jubilant Organics limited that Jivanjor brand had the epoxy adhesives and the white glue both categories. And there are so many categories into the epoxy adhesives also. So they are into the rubber adhesives, they are into the binders also. So it is a different. And they are into the lower quality segment also.

So we have mentioned ourselves as a premium retail segment into the white glue. So that's why we are claiming ourselves in the white glue premium retail segments only. Not for the economical grades or not for the rubber adhesives or for the epoxy adhesives.

Harsha Banka: Sir, thank you. And my second question is what about the capacity utilization ratio for H1, and expected utilization rate for H2, and is there any further expansion plans from your side?

Utkarsh Patel: Yes, we are almost getting our environment clearance within maximum two months. So, after that we can start to purchase the new boilers, vessels, reactors, cooling towers, etc. So we are planning to increase our existing capacity. So in Brownfield, we'll go for the ₹5 crore to ₹10 crore of investment next six months. So the capacity after that it will be almost double from here. So we can.

Yes, so we can reach at least ₹500 crore of top line with the existing plant. For that actually we require some storage to increase the storage capacity, for the finished goods and the raw materials for that. So maybe we will plan a near space to our factory on the lease for that. And after that for the next investment we'll go for the Greenfield for the newer plants, and newer place. But it will be take at least two to three years for that.

Harsha Banka: Okay, sir. Thank you so much.

Utkarsh Patel: Thank you.

Moderator: Thanks Harsha. We'll take the next question from the line of Amit S. Amit, you can unmute and go ahead please.

Amit: Hello sir. How is the competitive intensity from others players like we are hearing that Pidilite is also quite aggressive in the market? How are you facing up to the competitive scenario?

Utkarsh Patel: Competitions we can say are more active since two, three years. It is not that nowadays they are active already the competition was from the first day. But the thing is that they are also suffering, with the demand and supply into the market. So quarter two was very tough for all the companies. If I talk about the Astral, if you talk about the Asian Paints, if you talk about the Pidilite also.

So this white glue category or any other building material construction products, it's a little tough to manage this revenue growth into the little less demand into the market. So yes, there same active as per earlier, but what I believe that that is a good thing. I think happens to us, because now we are more aware, more active to save our market share. Plus we need to grow into the newer states - we have to save our market share to the existing core states.

Plus, we need to grow for the core states also. So, we are also very active. We have recruited 150 people of team into sales and marketing last one and a half year. So, we are improving our CRMs, we are improving our ERP systems. We are recruiting the people into the admin and accounting back office supports. We have hired the training manager for that. The induction program is going on recently.

We do our sales and marketing team in the training program into Ahmedabad. And that is the second program actually done by us, every quarter we are planning to do this. So these all are activities into the pipeline. And I think, it is always it should be there and it always make the organization more strong for that. So yes we will definitely take for opportunity to grow more from here?

Amit: Okay. And sir regarding your rewards point program, we see around ₹90 crore liability for expenses in your liability side of the balance sheet. Is this similar to the ₹600 crore to ₹650 crores or liability for expenses in Pidilite balance sheet. And how do you see this trend behaving for you as you grow?

Utkarsh Patel: I think this will be not grow much from here. Because we have started some auto redemptions program also. Earlier stage carpenters were used to accumulate the points since so many years. one, two, three, four years some a few of carpenters. And now we have started to motivate them. We are running the different type of attractive offers to make them - decisions to redeem the points.

So this type of strategies we have already developed and started, and we are more improving into that - into our loyalty program. So it will not go much higher as per revenue growth. But yes compared to the Pidilite it is almost same that liabilities that ₹650 crore liabilities. What Pidilite has?

Amit: Yes sir. Thank you. Got it.

Utkarsh Patel: Thank you.

Moderator: Thanks, Amit. We'll take the next question from the line of Madhur Rathi. Madhur, you can go ahead please.

Madhur Rathi: So thank you for the opportunity once again. Sir, I wanted to understand sorry. Sir, we have highlighted that so this ₹500 crore revenue can be reached over the next six months or so. Is this the reason why revenue is stagnant in the ₹250 crore, ₹260 crore levels? And for this to inch up, we will need that CapEx to come in and for our capacity to double?

Utkarsh Patel: Sorry, I didn't get your question, exactly.

Madhur Rathi: Sir, so we are currently the ₹250 crore to ₹260 crore level on a revenue basis. But the ₹500 crore revenue you highlighted that once our capacity doubles that would be. We could achieve that. So is this the only limiting factor that the over the next six months that when our capacity doubles, then over the next three to four years we can double our revenue till - the next six months it would be on the muted level?

Utkarsh Patel: So what happens? It's not much investment into the Brownfield existing plants. So we want to be well prepared for that, for the next three years of journey. And what happens in this B2C business, we are running our offers and quarter schemes, as we have divided the year into the four parts. So every quarter and maybe also we are some quarters also we are doing short-terms, 15 days, 20 days offers also like that I mentioned into Diwali we did the Shubh Muhurat offer for the 15 days, when the New Year came.

So it's like that. So sometimes what happened the sales goes high to that level that we require. As an example in the last March 2024, we have done reached almost 2,000 ton per month. So that is almost utilization of the 100% capacity what we have right now. So that spike happened. So we want to be well prepared so we - don't lose any market shares from that. So that's why?

Madhur Rathi: Okay. Sir, so can we double our revenue by let's say FY '28 to ₹500 crore.

Utkarsh Patel: Right. So we have the plan for the '27, and as quarter one was 20% of volume growth. So that was a very good quarter at that time. And we get the good confidence also for that. But the quarter two, as we have mentioned that it was softer, and we still we have half year to cover. So we are very optimistic that, we will cover to at least 15% to 20% volume growth this year also. So if we'll go with this phase, then it will reach in 2027 ₹500 crore of top line.

Madhur Rathi: Okay. And sir, what - so in our presentation we have highlighted 20% to 25% volume growth. So this entire ₹500 crores would come from. So I guess around ₹300 crore we could achieve an FY '25. So sir, post FY '25 sir can - what would be the value growth and what would be the volume growth, volume growth I guess you have highlighted 20%, 25%. So what could be the value growth that would help us achieve?

Utkarsh Patel: I think right now no, not much any variations in the pricing. So we are assuming that the price will be so flat. So we are guiding for the volume growth 20%.

Madhur Rathi: Okay. Sir, this premium segment that is 30% to 35% won't grow much or this would be stable going forward?

Utkarsh Patel: That is very early to say something about that. Because of course we are more optimistic to increase the more shares for the premium products. But the demand of the market, the perception of the market should be little different every states. So a few states are more, consuming the - more premium products. But it's not like that every states are demanding for that. So it is tough to say specific on about that, yes.

Madhur Rathi: Okay. Sir, a few questions from our balance sheet. Sir, why did our bad debt is increased from ₹5 lakhs to ₹1.92 crores in FY '24. And similarly sir our rec. What would be our receivables as on date that are more pending more than six months?

Utkarsh Patel: The first question was?

Madhur Rathi: Sir our bad debts increased from I guess ₹5 lakhs to ₹1.92 crores in FY '24. So why is this a huge jump in that? And similarly sir what would be our debtors that are pending more than six months as on like H1 end?

Utkarsh Patel: For the bad debts and data cities always into the pipeline. And as you can see that is below 1% actually. So we are assuming that we should stay below 0.5% or 1% between for the bad debts. So that provisions has done and that is on the pipeline. So it is not like that we have a clear wipe off from the balance sheets, right? So it's provisions done for that and it will be happens into the final balance sheet - into the March.

Madhur Rathi: Okay sir. Please go ahead, sorry?

Utkarsh Patel: Below 1% from the revenue not more.

Madhur Rathi: And sir how much would be pending for more than six months out of the like - our balance sheet numbers receivable numbers of H1, how much would be pending so out of these ₹99 - 100 crores so how much would be pending for more than six months?

Utkarsh Patel: So if I say about the percentage wise, it should mean it should be not more than 0.3% or 0.5% max.

Madhur Rathi: Okay. So only I would say like ₹30 lakh to ₹50 lakh would be only pending for six months, more than six months?

Utkarsh Patel: The total revenue percentage. So if I talk about the ₹260 crore of revenue then it's go to the ₹1 crore around.

Madhur Rathi: Okay sir. Okay. Got it. And sir, just a final player sir, when can we become a Pan India player? And sir is the Euro 7000 brand registered in the name of company or in the name of promoters?

Utkarsh Patel: No, it is registered into name of the company from the first day. And all other category products like sub-products we have also registered from the first day. And about the Pan India presence right now we like to penetrate more into the existing 14 states.

Still it's a huge opportunity and huge volume, to cover into the 14 states. But if we get the good opportunity into the remaining states like Odisha, Bhubaneswar like Chennai or Kerala. If we find out good channel partners or good opportunity we'll definitely look for that also.

Madhur Rathi: Okay. Sir just a final like question I had come up. Sir, I think in the furniture segment if there is an increasing share of organized sector that, is the ready-made furniture or these branded furniture. Sir, how does this impact on our revenue over the longer terms? And sir, what percentage of our revenue would come from B2B versus B2C?

Utkarsh Patel: So right now it is a 3% revenue come from the B2B and 97% from the retails only B2C only. But yes, you are very right that the organized sector is growing. But if we go into the deep of this particular segment, then it is happening only in metro mega cities where the main offices, furniture, the workstations made into the modulars. If we talk about the modular kitchens then upper segments in metro mega cities that happens for the modular kitchens.

So still the retail market is very, very huge. As 70% population still are in villages into the India, and they are migrating into the cities. So when they purchase one BHK, two BHK, max three BHK apartment then definitely it's not the - if you talk about the commercial aspects, it is not fit with the modular things, because it will go to the higher for the that particular segment. So there goes - with the trade segment only with the - carpenters, with the plumbers or with the electricians like of interior done.

Not like everything is ready-made. So still it is a long journey for India. As if you talk about the IKEA. IKEA has came into India since 2015. So it is almost nine, 10 years to that. But not much volume they have taken yet. So, but parallelly, this market will not reduce from here. Definitely this market ready-made will be grow in some phase. But we have also introduced our team and our product into the OEMs also.

And we are recruiting more people for the OEMs into the metro and mega cities. And we are planning for the separate management, separate leaders for that, separate consignee and sales agent for that. So we want to take this market shares almost 10% to 15% to our revenue. But 75% to 80% will be remaining to the B2C only.

Madhur Rathi: Okay, sir. Got it. Sir, thank you so much and all the best.

Utkarsh Patel: Thank you.

Moderator: Thanks, Madhur. We'll take the next question from the line of Jatin Chawla. Jatin, you can unmute and go ahead please.

Jatin Chawla: Yes. Hi, good morning and thanks for the opportunity. My first question is how do you see the demand trends in the month of October and November? You mentioned till September things were slow. But with other categories we have seen post festive things have picked up. So how are you seeing things and are you confident of delivering 20% kind of volume growth in the second half?

Utkarsh Patel: So for the October, the demand was also slow actually during the Diwali time. But right now market is picking up. So we have still one and a half month. And right now orders are good. The demands are in the pipeline and the things are moving towards a good way. So we are optimistic for at least 15% volume growth into the quarter three.

Jatin Chawla: Okay. Got it. Thanks. That's all.

Utkarsh Patel: Thank you.

Moderator: Thank you, Jatin. We'll take the next question from chat. It's from Ankit Kaushal. So his question is about expansion. He's asking how will you do the expansion, by way of debt or total cash accrual?

Utkarsh Patel: Can you repeat the question please?

Moderator: Yes. So he's asking how will you do the expansion, by the way of debt or total cash accrual?

Utkarsh Patel: By the way of the debt and the cash approvals?

Moderator: Accrual, accrual.

Vinay Pandit: We'll use debt or we'll use our internal cash for capacity expansion. Hello. His line seems to have disconnected. I'll just answer on his behalf. The expansion will be done. Any Brownfield or Greenfield will be done from internal cash accruals. No external debt will be needed. As you would have seen in the presentation, we are currently sitting on around ₹137 crores of cash and cash equivalents. We'll just hold for him to log back inside.

Moderator: Yes sir. You're audible.

Utkarsh Patel: Okay. Please go ahead.

Moderator: Sure, sir. So we'll take the next question from Chinmay Nema. Chinmay, you can go ahead please.

Chinmay Nema: Good morning sir. Hope I'm audible?

Moderator: Yes, yes.

Utkarsh Patel: Yes, you're audible.

Chinmay Nema: So just a quick question on the other current liabilities. Could you share so in FY at end of FY '23, this was ₹86 crores. At end of FY '24, this is

₹88 crores. Could you share during the year how much is the addition to this number? And then, how much was the redemption?

Utkarsh Patel: It was almost same for the last year. I think ₹3 crore rupees difference was there, right Vinayji?

Vinay Pandit: Yes sir.

Chinmay Nema: Basically just trying to understand what is the churn in this number. So how much gets added to this number during the year and how much gets redeemed?

Vinay Pandit: The net addition or reduction will not be more than ₹5 crores to ₹10 crores on an annualized basis. Basically the pace at, which the points are getting created and redeemed. You will not see impact on turnover on an annualized basis of more than ₹5 crores to ₹10 across.

Chinmay Nema: But then - I mean just trying to understand, how old are these receivables? Basically as sir, said that not more than 1% are greater than six months old. So does that mean that there's - big churn in this number. So essentially 99% of these liabilities get churned out over a one-year period?

Vinay Pandit: No, receivables and liabilities in the same statement. When you talk about….?

Chinmay Nema: I'm sorry, payables?

Vinay Pandit: Yes, yes. So liability for expenses. Typically today we have a three-year redemption program. But some of them may be slightly longer. But these are the old ones. But as we go ahead we are trying to churn it out faster so the pace of creation versus redemption stays neutral on the company's balance sheet.

Chinmay Nema: So would it be possible for you to provide the breakdown, as to what's the aging schedule of this?

Vinay Pandit: No, we don't do that. We can't give that. But if you see last year's notes to accounts to the revenue, the net impact on the turnover was only ₹2.9 crores.

Chinmay Nema: Okay. All right. Thank you.

Moderator: Thanks, Chinmay. We take the next question, the follow-up question from Shubh Shah. Shubh, you can go ahead please.

Chirag: Hi, this is Chirag. Sorry about the incorrect name. This is Chirag. Thank you so much for the opportunity. Just wanted to ask one question Utkarshji. If I look at the large listed global peer right. In their consumer and bazaar segments, they did end up in this quarter also having sort of a mid-single-digit, little higher than mid-single-digit volume kind of growth.

So my - question is there anything concerning in any of our geographies where you think there is minor. Even if it's minor market share loss, or if there is minor, loss due to - we are not present in the right segment, sub-segment. Just wanted to know if there is anything, or is this just a quarterly blip?

Utkarsh Patel: No, I don't think so that market will go more from here, because this is a trade business and the traders, the retailers are very much involved into the markets. So, we want to stay with this segment only, and parallelly we will increase our modular OEMs categories also. So, but not for the consumer bazaar market you are talking about.

Chirag: And then the difference is largely, because I guess the unseasonal range were more in the geographies that are core to us. And whereas for the large listed peer that was more spread out across India. Is that a possible explanation for the difference? Because we were flat and they were up 7%?

Utkarsh Patel: For the 7% you are talking about whom?

Chirag: Pidilite?

Utkarsh Patel: Pidilite yes, but see that - I mentioned earlier cause that that is 870 products they are manufacturing from the different plants, and they have the created a huge category. So like paint, the building constructions, materials, epoxy adhesives, binders and white glue also. So it is very tough to say about that white glue segment. But as per my knowledge the white glue segment is almost flattish for the Pidilite also.

Chirag: Especially in our geographies in our core geographies you mean?

Utkarsh Patel: Yes, yes, because they have seized, that they have do the acquisitions of the Araldite also in 2020, '19 around. So that is also a very huge network for that epoxy adhesives range. So that is all over, all put together with the 870 products and 6,100 SKUs they are onto the 7% of growth. So it's very tough to say for the particular product.

Chirag: Understood sir. And on the new geographies you said that the traction is good. Any geography that you can point out, which is doing better or worse or is it broadly very similar across the new geographies Also the traction even though their volume contribution is lower, right. We understand that, but just in respect to their own past anyone doing much better than expectation. Much worse than expectation?

Utkarsh Patel: UP is doing good actually and we are getting the good response, as we have expected as a UP market is little - the market that they are eager to attract a regional brand. And if we do the good customization, do the good ease of doing business policy, they always welcome that kind of brand.

But Delhi actually a little tough for us what we have expected. So Delhi is not doing much that. But UP is doing good. And also we have entered into the Punjab for the different Chandigarh also Patiala also. So the response into the Punjab is also good.

Chirag: Understood. And UP can be as big as Gujarat, Maharashtra?

Utkarsh Patel: Yes, of course. So we have a big plan, right now we have a team of almost 30 people, which were into the last quarter actually 22 people. So more eight people are on board in the UP now. And still we are planning for the at least double the team from here. So maybe it will go to the 60 persons of sales and marketing team, we require into the UP.

Moderator: Understood. Thank you so much for the time.

Utkarsh Patel: Thank you.

Moderator: Thank you, Chirag. We'll take the next question from chat, which is from Gunit Singh. So he's asking, what are the primary reasons for the increase in margin from approximately 20% to the current 30% to 33%, and is it due to lower raw material prices, also can the 30% plus margins be sustained?

Utkarsh Patel: So it is from the lower raw material cost also. And as we have increased the premium product market share so it is both together.

Moderator: And he's asking can this 30% margin also be sustained?

Utkarsh Patel: Yes, this year will go. We land with I think 29% to 30% of margin. Above that I think not lower than that.

Moderator: All right sir, thank you.

Utkarsh Patel: But if I say about the longer term, in earlier call also I mentioned for the longer term we guide our investor for the 22% to 25% of EBITDA.

Moderator: Okay. Sir, sure. So we'll take the next follow-up question from Madhur Rathi. Madhur, you can go at least..

Madhur Rathi: Sir, just one question. Sir, how many SKUs do we have? And sir, what would be the smallest pack that we sell or are we selling only bulk packs?

Utkarsh Patel: We have 125 gram and 250 gram packs also that use is very less used by the carpenters. But the size we can say that 500 gram to one kg, two kg, five, 10, 20, 30, 50 and 60. So 60 is the biggest pack size.

Madhur Rathi: Sir, the majority would be bulk, I guess?

Utkarsh Patel: Majority will be bulk. So from the five kg to 60 kg, is almost - we can say so five, 10, 20, 30 is the same and 50, 60 is the same in our total volume.

Madhur Rathi: Okay. And sir, how many SKUs do we have currently?

Utkarsh Patel: Around 65 to 70 SKUs.

Madhur Rathi: Okay. Sir, just a final question on the margin front. Sir, this 22% to 25% margin sir, so we highlighted that 3%, 4% would go to discounting, and 3%, 4% would go to advertising. So these margins would come in in FY '27 only, or like over the next five-year gradually will or keep on adding these advertising efforts, as well as discounting efforts to dealers?

Utkarsh Patel: I understand your question. It gradually happens basically. So right now in a quarter two, there was no meaning to do - make invest in advertisement, because as the margin was very down at the time. So it was no meaning for that. So right now we are starting for that. So gradually it will be go to this Q3, Q4 then for next year Q1, Q2, Q3. So gradually we'll increase that into that. But we have hired the agencies, we are into that.

Maybe you all have seen our Diwali video also earlier that we have made the carpenter video in the Holi also. And we do the promotion on the digital platforms. Social media marketing running very aggressively. The carpenters are into the Facebook more, as compared to Instagram. So we are targeting the Facebook audience also for that and YouTube also. So it is already started for that.

Madhur Rathi: But we can see this moving over the next three years next to these levels?

Utkarsh Patel: Next three years, yes. We can say it's a gradually will happen so that. But from the next year I can surely say that that advertising and branding will be the at least 3% to 4% that for sure.

Madhur Rathi: Okay, sir. Got it sir. Thank you so much and all the best.

Utkarsh Patel: Thank you.

Moderator: Thank you, Madhur. We'll take the next question from chat from Bharat Gupta. So he's asking what are the key challenges faced in Delhi market. Why despite getting more discounts, we are yet to make a mark. And second question he is asking is, what's the roadmap for gaining traction with OEMs?

Utkarsh Patel: So for the Delhi the challenges is the, right now the team and the channel partners only. And we have not do as much as effort. We can say into the Delhi as aggressive to find a good channel partners and team. That is the challenges. And the new product is as the acceptability is always tough when you enter into the new market. And Delhi is little premium market. The second what was the second questions brother?

Moderator: It was, what's the roadmap for gaining traction with OEMs?

Utkarsh Patel: Right, so for the roadmap right now we have targeted for the metro mega cities. So in Mumbai we have a good team, different channel partners for the OEMs. And we are getting good response. So almost from 3% revenue what I have mentioned that is 2% revenue is coming from the Mumbai only. And we have started the plan for the Telangana, for the Karnataka and for the Gujarat also.

In Ahmedabad, we are getting good response into the OEMs, and we are increasing the number of dealers into that. In Pune, we have increased our number of dealers into that, and we have hired the separate team for that. So if I talk about the brief of the roadmap then we'll go for the separate team. Separate team managers for this, and that is in the pipeline. So I think we'll recruit more than 50 to 100 people into the OEMs in the next year.

Moderator: All right, sir. Thank you. So we'll take the next question from Chinmay Nema. Chinmay, you can go ahead please.

Chinmay Nema: Sir, just a quick follow-up on my previous question. So just want to understand on the asset side what is the counter entry corresponding to the other current liabilities?

Vinay Pandit: Cash on the books.

Chinmay Nema: It's cash on the books, right. So basically as these are paid out it will affect. It will reflect in our cash balance?

Vinay Pandit: I said receivables and cash on the books.

Chinmay Nema: Receivable, understood.

Moderator: Thank you, Chinmay. So we'll take the last question from the chat box from Gunit. He's asking what kind of growth, are we looking at for FY '26?

Utkarsh Patel: So FY '26, we are targeting for the ₹375 crore to ₹400 crore of revenue.

Moderator: All right sir, thank you. So since this was the last question. Okay, so we'll take one more question from Rishabh Bothra. Rishabh, you can go ahead please.

Rishabh Bothra: Hello sir. Good morning. Just wanted to understand you elaborated on your expansion of capacities and expansion of widening of distribution network. Can you please let me know what it is now, and what will be post the expansion?

Utkarsh Patel: Post expansion means you are talking about the Brownfield, what we are…?

Rishabh Bothra: Yes, both. In case if there is any Greenfield as well as Brownfield expansion what will be the capacities, which will be having?

Utkarsh Patel: Okay. So after Brownfield - it is ₹10 crore will double our capacity from here. So almost 4,000 tonne per month we can say. But for that we are assuming that for the plant and maintenance the efficiency will be the 85% to 90%. And so, if I talk about the revenue wise, then it is. It can go to the ₹400 crore to ₹500 crore of revenue, with this Brownfield investment.

And after that when we are going to plan for the Greenfield that, the investment will be done almost ₹40 crore to ₹45 crore around. And it is all put together land, plant, building, machineries, packing machineries etc. and that can go for almost ₹1,200 crore of revenue.

Rishabh Bothra: Sir, with respect to Brownfield, when will be having this available for commercial production expanded capacity, and by when will the Greenfield come up? I wanted to get a sense the revenue amount, which you mentioned will be available from, which financial year is it '27, '28. How is it?

Utkarsh Patel: No it will be available - so you'll get…..

Rishabh Bothra: So your voice is not audible slightly?

Utkarsh Patel: I'm audible now?

Rishabh Bothra: Yes better.

Moderator: Yes sir.

Utkarsh Patel: So by this investment we'll get the environment clearance approval within two months. So, after that we'll start to purchase and install the vessels, reactors etc for that, to the existing plant. So within six months we can say. So we can say by June or July month of next. So from six months from here we will be able to have the total capacity of ₹500 crore, to generate the ₹500 of revenue.

And for the Greenfield we'll start to look for the land, will purchase the land. Then it gets the one and a half year, to get the environment clearance approvals. Then the one-year time for the building, constructions, everything. So it will take almost two, two and a half years of total plant from here. So we can say in 2027, '28, we will be ready for the new plant as a Greenfield.

Rishabh Bothra: So just to brief, before this call, I started looking at for two quarters and my concern was that market is growing, why Jyoti is not growing. So hearing these conversation, I believe that your growth path momentum will be strong and good enough. Lastly, the distribution network. If you could let me know what it is now and how are you expanding that, and in which geographies? Thank you, sir.

Utkarsh Patel: Sure. So if we talk about the branches, what we are working with. So that was 28 branches last year, and right now we are on the 38 and more four branches are into the pipeline. So it will go to the 42 branches. So we are already on the way that to established our consignment sales agents channel partners for the strong distributions. And then as I mentioned that in December 2022, so beginning of the 2023 January, we can say we have 250 people of team into the sales and marketing.

And right now we have the team of 400 people. So we have recruited almost 150 people into the one and a half year of span. So that is also in the pipeline, I believe. And we have planned for the next one-year also from here, next one year we'll recruit more 100 people into the sales and marketing, includes the OEM team also. So, we are into the development to set our channel partners to set our team to grow from here.

Rishabh Bothra: Can I ask one more last one I missed out asking. So in terms of the product category, there are other players also likes of Pidilite, Astral, what is unique of our product and why customer wants EURO brand. I am sure EURO is a popular name. And in terms of marketing is it? We are also touching base with the influencers' social marketing, or how are you taking it on that front?

Utkarsh Patel: So it's actually a long answer for the questions and it is, but brief if I can say that it is all about the effort efforts of the 17 years and it's very micro-management we do, we did. And yes, you are very right to the influencer. So we believe, we take the responsibility on our shoulders at the tertiary level. So as an example, if we talk about the newer states, if we talk about the UP right now.

So we have taken the total responsibility of the pool of the material from the retail counters. We are giving the guarantee, we are giving the commitments to them. And EURO is always with a promising brand.

What we have promised that where we have always over delivered to them. And because see no any business can be profitable without the repeat customer base.

And the repeat customer base will be only, because of the - if your product is good, your quality is good, your service is good and your commitment is, as you deliver as per your commitment. So these all are the factors, what we have done till the day since 17 years. Our inductions program, our training program, our recruitment to the team, the members, how we recruit, what culture we have made.

So it's a lot of all the effort together we are getting the good response as compared to. I cannot say as compared to Astral or Asian Paints. But because they are into the primary sales, more they have acquired the multiple businesses right now. They have already the distributions network. So they have made them the distributor and primary sale done by them. But we are focusing on to the tertiary level.

And that's why that profit margin we are getting in the repeat business, maybe the revenue wise, maybe we are flat into the quarter two, but it's not like that. We have not made a good profit. The profit numbers are good. So this is all the 360 degree efforts.

Rishabh Bothra: Thank you, sir. Thank you for the details explanation and my objective is - never looking at quarter-to-quarter. It's a longer term horizon. Hope to meet you soon. We'll connect with Vinay and fix up meetings.

Utkarsh Patel: Appreciate. Thank you.

Moderator: Thank you, Rishabh. So this was the last question for the day. I now hand over the call back to Vinay, sir. Over to you, sir. Thank you.

Moderator: Thank you, sir. Utkarshji, would you like to give any closing comment before we end this call?

Utkarsh Patel: Yes. So we are - looking forward, and we are optimistic for the new challenges. And it is always good to take the challenges that we can grow more and build a strong foundation, strong organizations. And we are looking for more people to recruit. We want to expand into the existing core states, and go deep into that also. And your supports and wishes are with us. So we'll try our best, to make our commitments fulfilled into the market. Thank you very much.

Vinay Pandit: Thank you. Thank you to the management for joining us for the call, and giving us their valuable time. Thank you to all the participants for joining on the call. This brings us to the end of today's conference for. Thank you so much.

Utkarsh Patel: Thank you.