



Ref: KL/SEC/2022-23/114

Date: 8th February, 2023

To,
The Manager- Listing
National Stock Exchange of India Limited,
Exchange Plaza, Bandra Kurla Complex,
Bandra (E), Mumbai-400 051

NSE Symbol: KAMDHENU

To,
The Manager- Listing
BSE Limited,
Phiroze Jeejeebhoy Towers,
Dalal Street, Mumbai- 400 001

BSE Scrip Code: 532741

Sub: Submission of Transcript of Earnings Conference Call for the 3rd quarter and nine months period ended on 31st December, 2022.

Dear Sir/Madam,

In continuance to our earlier letter KL/SEC/2022-23/112 dated 3rd February, 2023 and pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed herewith Transcript of Earnings Conference Call held on Friday, 3rd February, 2023 for the quarter and nine months period ended on 31st December, 2022.

We request you to kindly take the same on records.

Thanking you,

Yours faithfully,
For Kamdhenu Limited

Khem Chand,
Company Secretary & Compliance Officer

Encl.: as above.



“Kamdhenu Limited Q3 & Nine Months FY2023
Earnings Conference Call”

February 03, 2023

KAMDHENU LIMITED, MANAGEMENT:

MR. SATISH AGARWAL – CHAIRMAN & MANAGING DIRECTOR

MR. HARISH AGARWAL – CHIEF FINANCIAL OFFICER



Disclaimer: E&OE - This transcript is edited for factual errors. in case of discrepancy, the audio recordings uploaded on the stock exchange on February 3, 2023 will prevail.



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Moderator: Ladies and gentlemen, good day and welcome to Kamdhenu Limited Q3 and Nine Months FY2023 Earnings Conference Call. This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions, and expectations of the company as on date of this call. These statements are not the guarantees of future performance and involve risk and uncertainties that are difficult to predict. As a reminder all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded.

I now have the conference over to Mr. Satish Agarwal – Chairman & Managing Director of Kamdhenu Limited. Thank you and over to you, Mr. Agarwal.

Satish Agarwal: Good afternoon, and a very warm welcome to everyone present on the call. Along with me, I have Mr. Harish Agarwal – Chief Financial Officer and Strategic Growth Advisors, our Investor Relations Advisors. We have uploaded our result and investor presentation for the quarter on the stock exchanges and company’s website. Hope everyone had a chance to go through the same.

Few days ago on January 24, 2023, Kamdhenu Ventures Limited, the holding company of Kamdhenu Color and Coatings Limited that is the paint business got listed on BSE and NSE. This demerger shall enable better management focus, operational flexibility, and allow businesses to independently pursue growth plans. This shall further enable both companies to raise necessary funds, find strategic investors, and employ specialized manpower for each businesses, and thereby create a platform to pursue next level of growth.

Coming to the steel business. We have delivered strong growth in Q3 and nine month of financial year 2023. Despite high fluctuations in commodity prices, our company has reported revenue growth of 23% year-on-year basis to Rs.183 Crores for Q3 FY2023. For nine-month FY2023 revenue stood at 565 Crores delivering a growth of 36% year-on-year basis.

The TMT steel demand continues to grow driven by factors such as rise in demand for low-cost reinforcement bars, and surge in construction projects. Increase in government support for steel and coal production, and advantages offered by TMT steel bar over torsional bars in augmenting the growth of the TMT steel bar industry. It is likely to increase significantly in the coming decade. Having a differentiated model of franchisees help us scale efficiently, and ensure maximization of return with minimal investment.



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Our presence and brand recall in the market with 38 lakh metric ton capacity through franchise model places us in the sweet spot. We are looking forward towards extension to propel further growth. With the current demand we expect to achieve a brand sales turnover of 20,000 Crores by FY2023. Going forward we can confidently say that the industry and our company will see a brighter future as infrastructure plays a crucial role in growth of the infrastructure. We will continue to focus on innovation and technology from a sustainability viewpoint.

For the quarter, our franchise volumes as well as volumes from our facilities grew by 25% on year-on-year basis. Our company constantly monitors their research and development division, and the ongoing process. Our company has further enhanced its capabilities by adapting new technologies like converting steel commodity into high yield strength weldable TMT steel bars to be 4% lesser in weight and 20% stronger than other normal TMT steel bars.

Going ahead we are focused on increasing our annual capacity through franchisee route from 38 lakh metric tons to 50 lakh metric tons over the period of two years.

To conclude, our company holds a strong market share in the organized retail segment of service steel plant and pan-India presence with an 8500 plus steel dealers spread across India shall enable us to reach the remotest area. We wish to align the brand as a brand of the people's choice. We are eager to enter our next chapter of evolution with the demerger being effective. We are well set on the part of to achieve a growth trajectory going ahead.

With this, I would hand over the call to our Group CFO, Mr. Harish Agarwal for the financials. Thank you all.

Harish Agarwal:

Thank you. I will take you all through the financials for Q3 nine-month FY2023. Our steel volume from franchise root have stood at 7.65 lakh metric ton in Q3 FY2023 as compared to 6.1 lakh metric ton in Q3 FY2022, a year-on-year growth of 25%.

For nine-month FY2023, steel volume grew by 22% to 21.77 lakh metric ton. Our TMT volume from own facility stood at 26,936 MT in Q3 FY2023 as compared to 21,512 lakh metric ton in Q3 FY2022, year-on-year growth of 25%.

For nine-month FY2023 TMT volume grow by 23% to 78,150 MT. Total brand sales turnover for Q3 FY2023 stood at Rs.5,295 Crores as compared to 3,973 Crores in Q3 FY2022, a growth of 33% year-on-year basis



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For nine month FY2023 total brand turnover grow by 38% year-on-year basis to 15,520 Crores. Royalty income through franchisee stood at Rs.30 Crores in Q3 FY2023 as compared to 23.2 Crores in Q3 FY2022, a growth of 29% year-on-year basis.

For nine month FY2023 it grew by 24.5% to 83.7 Crores. Revenue from own facility was up by 29% to 147.3 Crores in Q3 FY2023 as compared to 113.8 Crores in Q3 FY2022. For nine month FY2023 it grew by 39% to 455.7 Crores. Total revenue stood at Rs.183 Crores for Q3 FY2023 as compared to 149 Crores for Q3 FY2022, a growth of 23% year-on-year basis.

For nine month FY2023 it grew by 36% year-on-year basis to 565.2 Crores. Our EBITDA stood at Rs.17.1 Crores in Q3 FY2023 as compared to 10.7 Crores in Q3 FY2022, a growth of 60% year-on-year basis. For nine month FY2023 it grew by 26% to 44.8 Crores.

Profit before tax stood at 16.1 Crores for Q3 FY23 as against 8.9 Crores in Q3 FY2022, a growth of 80%. For nine month FY2023 it stood at 40.5 Crores a growth of 25% year-on-year basis. Profit after tax stood at 12 Crores for Q3 FY2023 as against 6.6 Crores in Q3 FY2022 a growth of 83%, and for nine month FY2023 it stood at 30.3 Crores, a growth of 19% year-on-year basis.

ROE stood at 26% and ROCE stood at 35% on annualized basis. Our debt equity ratio is at 0.05 as on December 31, 2022.

With this, I would like to open the floor for question and answers.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Rahil Shah, individual investor. Please go ahead.

Rahil Shah: Good numbers are there. Just wanted to have your outlook for the revenue growth and EBITDA margins for the next quarter as well as the next financial year, any views on how you plan to just keep improving, and other factors that would help. Thank you.

Harish Agarwal: In fact, we are looking for a better result quarter-by-quarter. If you can see the trend of last three quarters the results are in the upward trend, and we are hopeful that the result would be in the same manner, and you will see in the coming future that the result are better than the past.

Rahil Shah: You are saying that you will be moving forward in the same lines as previous quarter or previous year, so to say.

Harish Agarwal: Yes.



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- Rahil Shah:** Thank you.
- Moderator:** Thank you. Next question is from the line of Akash Mehta from Caprize Investments. Please go ahead.
- Akash Mehta:** Good afternoon. Thank you for the opportunity, and I had two primary questions. Firstly on the franchisee network that you were guiding towards expanding; how are we planning to do that?
- Harish Agarwal:** In fact we are giving opportunity to the existing unit to increase their capacity, and if there is limitation in any of the franchise in any particular region then we are looking for a new franchise unit.
- Akash Mehta:** In terms of the branding and promotion expenses, could you just give those numbers for Q3 and nine months FY2023.
- Harish Agarwal:** In the nine month we have spent around 38 Crores on the branding and marketing expenditure, and in this quarter we have 13 Crores expenditure.
- Akash Mehta:** Just to follow up on that. What do you expect that to be in 2024 and 2025.
- Harish Agarwal:** For branding expenses.
- Akash Mehta:** Yes.
- Harish Agarwal:** Yes. It would be on the increased way, and in this financial year FY2023 it would be 50 Crores plus expenditure on the branding and marketing, and by 2024 or 2025 we are have a plan of aggressive branding. So we are also planning to raise certain funds, which is in the pipeline, and our application is pending before the stock exchanges and CB for in-principle approval. So we have the plan for aggressive branding also. So right now it is very difficult to say that how much amount is to be allocated on the branding, but we have aggressive plan.
- Akash Mehta:** Fine, that helps. Thank you.
- Moderator:** Thank you. Next question is from the line of Ashay Jain from Jain Capital. Please go ahead.
- Ashay Jain:** I have a couple of questions. Firstly with this major push in the infrastructure projects in the country; how are you planning to meet the increasing demands for steel.



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Satish Agarwal: As you will go through our presentation, we are already on this work and we have a planning of increasing the installed capacity from 38 lakh ton to 50 lakh ton in next two years. Already we are working on it through franchise route, and in most of the franchises the capacity expansion work is in progress, and as well the demand of the market. We hope the results of this budget will definitely increase the demand of steel products, and for that we are just gearing up and already we are installing the capacity as per the requirement and hope we will be able to compete the demand in the next one year or two year.

Ashay Jain: Secondly any new products that you are planning to launch in the next few months.

Satish Agarwal: Yes. The R&D on TMT bar is a continuous effort from Kamdhenu, we have launched so many products during last 10 years, and some products are already under R&D process and let us hope in the coming financial year we will launch at least one new product for the benefit of the community and for the benefit of the society.

Ashay Jain: Understood. That is all from my side. Thank you.

Moderator: Thank you. Next question is from the line of Prachi Sharma from Ace Capital. Please go ahead.

Prachi Sharma: Good morning. I just have two questions. Firstly our royalty income grew by 29% year-on-year and Q3 and by 25% in nine months. Could you tell the amount of royalty our company charged per ton, and secondly in our steel business revenues from our own facilities were up 29% in Q3 and 39% in nine months? So was this growth driven by volumes or was it on account of higher realization.

Harish Agarwal: First I would like to answer the franchisee rate of royalty. The nine month average royalty is Rs.392 per metric ton and it was Rs.385 in the last year of same period of nine month. So it has been slightly increased, and the other is what is the volume growth or the price growth in the last quarter or nine months. So the average price of this quarter is Rs.64,516 and it was in Q3 of the last year Rs.62,423, if you take the average of nine month, then the average nine month is for the current nine month Rs.68,779 per metric ton as against Rs.60,709 per metric ton. So there is an increase in the pricing, and if you see the quantity thus this year for nine month quantity is 78,150 MT as against 63619 metric ton. So there is a growth of volume and also in the price. It is a combination of both.

Prachi Sharma: This was very much helpful. That is all from my end. Thank you and all the best.

Moderator: Thank you. Next question is from the line of Anuv Shah from Shreenath Securities. Please go ahead.



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- Anuv Shah:** Thank you, can you help us understand the current utilization levels at our KD plant.
- Harish Agarwal:** That is around 85%.
- Anuv Shah:** If you can throw some light on the demand scenario for the steel products.
- Harish Agarwal:** Yes. There is a demand. That is why we are creating premium on the best local brand. So there is a demand of Kamdhenu product. You can see in the turnover also that it has been increased in terms of quantity of the franchise unit as well as our own manufacturing. In the franchise unit we have achieved the sales turnover of 21.77 lakh metric ton as against 17.78 lakh metric ton that is growth of around 25%, so there is a demand of Kamdhenu product.
- Anuv Shah:** How was the change in the prices of raw materials?
- Harish Agarwal:** In fact in the steel industry prices of raw material and finished product move in the same direction. If the prices of TMT bar increase then the prices of Ingot and Billet also increased, so it is in the same direction. The profitability impact only on the stock element.
- Anuv Shah:** All right. Thank you.
- Moderator:** Thank you. Next question is from the line of Karan Mehta from Mehta Investments. Please go ahead.
- Karan Mehta:** Thank you for the opportunity. Most of my questions are answered, I just have one question. So what would be the revenues and PAT guidance for FY2024 and 2025?
- Harish Agarwal:** In fact, we are seeking a growth of 25% in our own plant as well as in the franchise network. In FY2023, we have a plan of around 28 lakh metric ton from the franchisee, and in the next year we are targeting 36 lakh metric ton. From our own plant we have the limitation of our own plant that the capacity is 1,20,000 metric ton, so around 95% capacity we shall be able to achieve in FY2024, and it would be multiplied by the price which may vary from 60,000, 65,000, 70,000 then the turnover will depend on that prevailing price at that time.
- Karan Mehta:** Thanks. I will come back in the queue for further questions.
- Moderator:** Thank you. Next question is from the line of Deep Goyal from Davis Index. Please go ahead.
- Deep Goyal:** Good afternoon. Thanks for the opportunity. I just want to know, you just mentioned that your capacity utilization is 85%. So it is for the franchise unit or own unit.



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- Satish Agarwal:** This is for own unit.
- Deep Goyal:** What about franchise unit, how much.
- Harish Agarwal:** It would be around 70%.
- Deep Goyal:** Okay. Thank you so much.
- Moderator:** Thank you. Next question is from the line of Viraj Shah from Shah Investment Consultants. Please go ahead.
- Viraj Shah:** As one of our previous participant asked upon TMT bar. Just wanted to know, who are our major competitors for TMT bars, and what is our competitive advantages in that.
- Harish Agarwal:** In fact at the national level, we are competing in the retail segment with the Tata Steel. Because Tata Steel has the retail network, and we are having the retail network. We are selling our 90% product in the retail market, Tier 2, Tier 3. So we are directly competing with Tata Steel, if you say at the national level, but at the regional level there are so many local brands in Raipur you can see Goel TMT, in West Bengal some other one, and in Punjab you may find Amba. So locally we are competing with the local brands, but at national level we are competing with the Tata Steel.
- Viraj Shah:** What is the competitive advantage I think so for TMT.
- Harish Agarwal:** Yes. We have the competitive advantage because we have that decentralized production base. We have unit in each and every state, so we can supply ex-quantity within a time of 24 hours. So which nobody can supply the x-quantity in 24 hours. So we have the advantage of availability of product as decentralized locations.
- Viraj Shah:** Was it regarding the steel business. We have announced the 70 Crores fundraise. So what are your plans in the steel business you can throw some colors on that.
- Harish Agarwal:** Yes. We have already mentioned the object of the issue, why we are raising this fund. In fact we are redefining our franchise business association model number one. Number two, we have aggressive plan on branding, we are also repaying certain bank borrowings and we need some other corporate purposes like investment in the R&D and the plant. So it has been clearly mentioned in our object clause of the request letter given to the Stock Exchange and also available on the website.
- Viraj Shah:** Thank you.



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- Moderator:** Thank you. Next question is from the line of Parth Vasani from KK Advisors. Please go ahead.
- Parth Vasani:** Good afternoon and thank you for the opportunity. I had a couple of questions. I know the demerger is done, but can you tell us how is the demand for paints currently, and also how has been the trend in prices for raw materials for paints.
- Satish Agarwal:** You are asking for the paint business.
- Parth Vasani:** Yes.
- Satish Agarwal:** Have you gone through the results of Kamdhenu as well as so many other paint companies. Definitely, there was the price escalation for the raw material prices, and particularly the sales volume are not much increased of any company, and margins pressure is there, but during this Q3 results and hopefully in Q4 being the financial year closing and March targets, we hope the volumes we will achieve the targets and let us see because if Asian or other big companies are not increasing the prices, then nobody can increase the price, but earlier to that and ultimately the raw material prices means a lot for paint business, and right now the raw material prices are almost stable, and let us hope the Q4 should be good enough.
- Parth Vasani:** Another one also on the paints. You have mentioned the 1000 Crores revenue by FY2028 for paints. So how do you plan to achieve it, and are we planning any fund infusion there.
- Satish Agarwal:** Yes. Already we have given the mandate to EY they are on the job. They have prepared the IM and once the market is stable, we will look for the investment through strategic investor or any other strategy, and once we infuse the funds of at least Rs.200 for one new unit and other activities for aggressive marketing and branding exercise. We have a aggressive target of 1000 Crores by 2028, but that totally depends on at what time we get the funds through strategic investor and accordingly the future will be planned.
- Parth Vasani:** Got it. Thank you, that will be it from my side. Thank you for the detailed answer.
- Moderator:** Thank you very much. As there are no further questions, I now hand the conference over to the management for closing comments.
- Harish Agarwal:** I take this opportunity to thank you everyone for joining on the call. I hope we have been able to address all your queries. For any further information kindly get in touch with me or SGA our Investor Relation Advisor. Thank you once again.



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Moderator: Thank you very much. On behalf of Kamdhenu Limited that concludes this conference.
Thank you for joining us, you may now disconnect your lines.