SHALIMAR
PAINTS

November 23, 2022

BSE Limited
Corporate Relationship Department,
1st Floor, New Trading Ring,
Rotunda Building, P.J. Towers,
Dalal Street, Fort, Mumbai - 400 001
BSE Scrip Code: 509874

National Stock Exchange of India Ltd
Exchange Plaza, 5th Floor,
Plot No. C/1, G- Block
Bandra Kurla Complex, Bandra (E),
Mumbai – 400051
NSE Symbol : SHALPAINTS

Sub: Transcript of call with investors and analysts held on November 16, 2022 at 04:00 P.M.

Dear Sir/Madam,

In continuation to our letter dated November 11, 2022 and pursuant to Regulation 30 read with Schedule III of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed herewith the transcript of conference call held with the investors and analysts on November 16, 2022 at 04:00 p.m. on the financial results of the Company for the quarter and half year ended September 30, 2022. The said transcript is also available on the Company's website at the link: https://www.shalimarpaints.com/investors-relations/earnings-presentation.

You are requested to kindly take the above information on record.

Thanking you,

Yours faithfully,

For **Shalimar Paints Limited**

SHIKHA RASTOGI
Digitally signed by SHIKHA RASTOGI
Date: 2022.11.23 14:48:56 +05'30'

Shikha Rastogi
Company Secretary

Encl.: as above

"Shalimar Paints Limited

Q2 FY2023 Earnings Conference Call"

November 16, 2022

ANALYST: **MS. RASIKA SAWANT - ORIENTAL CAPITAL**

MANAGEMENT: **MR. ASHOK KUMAR GUPTA - MANAGING DIRECTOR, SHALIMAR PAINTS LIMITED**
MR. MOHIT KUMAR DONTER - CHIEF FINANCIAL OFFICER, SHALIMAR PAINTS LIMITED
MR. KULDIP RAINA, DIRECTOR - SALES, MARKETING AND STRATEGIC SOURCING, SHALIMAR PAINTS LIMITED

Moderator: Ladies and gentlemen, good day and welcome to the Q2 FY2023 earnings conference call of Shalimar Paints Limited. As a reminder all participant lines will be in listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" and then "0" on your touchtone telephone. Please note that this conference is being recorded. I now hand the conference over to Ms. Rasika Sawant. Thank you and over to you Madam!

Rasika Sawant: Thank you and welcome to the Q2 and H1 FY2023 Earnings Conference Call of Shalimar Paints Limited. Today on this call we have Mr. Ashok Kumar Gupta, Managing Director along with the senior management team. This conference call may contain forward looking statements about the company which are based on beliefs, opinions and expectations as of today. Actual results may differ materially. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict. A detailed safe harbor statement is given on page number two of Company's investor presentation, which has been uploaded on the stock exchange and company's website as well. With this I hand over the call to Mr. Mohit Kumar Donter for his opening remarks. Over to you Sir!

Mohit Kumar Donter: Thank you very much Rasika. Good afternoon everyone. I thank you very much all the investors who attend this call. So this is the time on quarterly interval when we all meet and we share the insights about the organization, how we have performed in the quarter as well YTD (year to date), so I am happy to share quarterly as well as half yearly results of your company with you. The quarter was very good. The momentum was good in the topline as well as on the raw material side during the quarter though the raw material prices are significantly increasing from beginning of the year, but yes now I believe these are softening and coming down after September and October yes that is forward looking, but for September if I talk about we closed the topline with Rs.111 Crores which was in line with the previous quarter of this financial year which was Rs.110 Crores but from last year if we talk about we have grown by 22% in the quarter. Last quarter we closed with Rs.91 Crores. If I talk about H1 that is we have closed with Rs.221 Crores that is 41% growth from the previous year in half year against Rs.156 Crores. Cost is 75% because raw material prices are better from the last year but yes from the previous quarters more or less is a few items of solvent-based commodity was on the higher side that is coming on the lower side but yes we are up by 2% during the quarter vis-à-vis the previous quarter so last year we closed gross margin of 22% whereas in this quarter we closed gross margin of 25%. Employee cost as well as the other fixed costs are in line with the same vis-à-vis last quarter as well as the last year so 11% is employee expenses which was same in the last quarter and better off from the last year same quarter that was 12% and fixed cost has remained 19% in previous quarter and 17% this quarter so it is better off by 2% vis-à-vis last year it is again 19% it was 19% so it is better off by 2%. If I talk about EBITDA during the quarter it is Rs.4.7 Crores negative if I talk about operational EBITDA and half yearly it is Rs.7.34 Crores vis-à-vis Rs.16.7 Crores last year so we are better off in terms of EBITDA we have recovered the EBITDA losses. Yes from the previous quarter it is slightly higher side but from Q2 FY2022 we are almost at half of the losses so we have recovered losses and we are on the right track. As far as my loss is concerned we have closed the quarter with negative Rs.10.75 Crores which was Rs.16.7 Crores last year and in the previous quarter it was Rs.9.5 Crores. I think with overall sentiments of the industry as well as the markets are good now markets are open and we are also getting good traction in the market as far as topline is concerned and we are hopeful to have a better presence in the market as well as in the business line. Thank you very much. Over to you Rasika!

Ashok Kumar Gupta: Can Kuldip give the information now?

Kuldip Raina: So the quarter as Mohit said has been good for us and our growth has been ahead of the industry growth as a result of which in terms of if we look at what action we have taken during the quarter we have worked aggressively on dealer expansion, we have worked aggressively on painters who kind of influence the sales in the paint industry which worked in our favor and as a result of which our emulsion sales grew by at least 94% and which helped us kind of protect our bottomline also in spite of the inflationary trends in the market place the inflation has been to the tune of 6 to 8% whereas the prices which were passed on to the market was in the tune of 3 - 3.5% only but still with this emulsion saliency going up by at least 8% to 10% we were able to protect our bottomline as such. Apart from this we have been able to as I said worked very aggressively around painter fraternity which we were able to kind of grow in terms of numbers we were able to grow by at least 50% to 60% in new painter acquisition and when it comes to activation and active painters it grew by some 40% to 46%. As a result of which our throughput through painter fraternity went up by at least 6 to 7%. Apart from this as we said we went into market expansion more and we opened up some 800 outlets and as a result of which gave us some 8% to 9% incremental sale as well so these are some of the highlights during the quarter and during the season time we did a good marketing activity in terms of creating visibility in the market place and covered most of the markets at least 50% of the markets we covered in the last two months time wherein a good kind of visibility was created for the brand Shalimar, so this are some of the activities done during the quarter.

Ashok Kumar Gupta: Thank You, Kuldip

Moderator: Thank you. Ladies and gentlemen we will now begin the question and answer session. Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question is from the line of Manan Poladia from MKP Securities. Please go ahead Sir.

Manan Poladia: Congratulations on a great set of numbers Sir, so Sir what I broadly wanted to ask is you guys have any internal projections for say two or three years down the line in terms of revenue, bottomline whatever numbers that you guys have projected internally?

Ashok Kumar Gupta: Actually we do have, we have a plan of action for increasing our sales so currently if you observe we have been targeting growth of around 30% to 35% year-on-year and again looking at 30% to 35% growth over the last year that is the number for current year and in the next two years also we hope to continue with this growth momentum so our plan is that each year with this base figure of 21 - 22 we should be growing anyway between 30% and 35% year-on-year.

Manan Poladia: Right Sir also based on current capacities what is the utilization level?

Ashok Kumar Gupta: So overall it is around 55% to 60%. Going forward we would be increasing our capacity size 70% to 75%. Having said that we are also planning to install certain equipment which will enhance our capacity so we are not paying too much attention to the capacity part of it because we have capacities for future, we are booking aggressively for future and the important part is in case our sales, our volumes, our incomes continue to grow around 30% to 35% I think we are set for a good future.

Manan Poladia: Right Sir thank you for that. I have just one more question. Will we be focusing more on growing our presence in the industrial paint space or the normal B2C painting space our primary focus right now?

Ashok Kumar Gupta: Both actually we cannot do one without the other. The reason is that the kind of growth we are targeting 30% plus is not possible to achieve only from one segment because I feel the breakup of the segment is 65% decorative and some 35% industrial so it is possible that it may grow too fast in one and not so fast in others because our expectations and our aspirations are pretty high.

Manan Poladia: Right Sir understood. Thank you.

Moderator: Thank you. We will take next question from the line of Madhav P from Shravas Capital. Please go ahead.

Madhav P: Thanks for the opportunity. Firstly congrats on a good set of numbers. My first question is Sir in the current quarter of Rs.111 Crores how much did we accrue from our partner infra market?

Ashok Kumar Gupta: Infra market is around Rs.5 Crores to Rs.6 Crores.

Madhav P: Okay the majority 97% to 98% majority accrued from our own expansion and price hikes also may I know the volume growth this quarter?

Ashok Kumar Gupta: It is around 10% to 12% that is year-on-year.

Madhav P: 10% to 12% so there is some product mix change as well for us in Q2?

Ashok Kumar Gupta: Kuldip, what is the volume growth year-on-year for the quarter?

Kuldip Raina: So for the quarter it was 12% and if you look at year-on-year it is 22%.

Madhav P: So there is some product mix change in line. Continuing on the first participant's questions you were actually saying you are looking at 30% to 35% growth this year for FY2023 just wanted to know in the rating rationale we were rated by acuite, so the rating rationale mentioned I think we kind of guided or we projected revenues of Rs.650 Crores so if I look at 35% kind of growth on FY2022 it is close to around Rs.490 Crores to Rs.500 Crores so just wanted to understand where that difference?

Ashok Kumar Gupta: There are two differences here. When the rating thing was there it was the gross number inclusive of all the discounts and rebates we gave, if we exclude that the number comes down significantly and the second part is that the rating numbers for our initial plans which we gave last year and having seen the kind of changes which have taken place in the current year, the recessionary trend and the demand outlook so we have revised our plans in the month of April and so we are looking at around 30% to 35% growth on a realistic basis in the current year.

Madhav P: On the same note Sir if I look into FY2024 we are expecting may be grew around this Rs.30 Crores on the base of Rs.500 Crores so how much do you think from the Rs.650 Crores can accrue from infra market going forward say second half in the next year as well?

Ashok Kumar Gupta: I wish they do well. We are working on that, we are working with them, we are working closely with them and I am sure their contribution will grow significantly in the days to come but it is not only the numbers actually they are helping us in a number of ways. They are helping us by evolving the synergy so it so happens that all the sales we could not kind of pass through them, many of the sales which they help us in getting for example from projects or from large customers or from their own customers we bill directly to the customer so that sale is not projected through infra market sale. Infra market sale is projected only what we get through them which could be limited but the assistance in the prices and the support we are getting from them is much higher because in many cases we will be billing directly to the customer as well.

Madhav P: Do we take some kind of channel partner commission, etc., through infra market which is like they give us leads or synergy in terms of customer?

Ashok Kumar Gupta: No the infra market we are treating them as any other distributor so they are primarily one of the distributors that we have so many distributors and all the transactions are happening through them in the same way as they happen through any other distributors.

Madhav P: Okay at arm's length. I will come back in the queue for more questions.

Moderator: Thank you. We will take our next question that is from the line of Kevin Gandhi from Capgrow Capital. Please go ahead.

Kevin Gandhi: My question was how is the hiring like quite different verticals in the sales and marketing, the R&D how that has been shaped like in a few quarters and how do you foresee the growth going forward like by the change of team that is happening since a few quarters so if you can give some color on the same it will be really helpful? Thank you.

Ashok Kumar Gupta: Definitely we will make it completely colorful so there are four different parts of hiring. One is the senior leadership team which normally consists of people who are team leaders in each of the function, second is hiring for sales and marketing people who are basically the front facing team in the company, the third is the production group and the fourth is support team by way of finance and logistics and procurement and HR and all that. So hiring has been significantly focused on the senior team so I think to a large extent we have been able to settle the senior team now and not much of a hiring is taking place at this stage for our senior team. The senior team has almost been taken care of. We already had a strong team in the support group that is logistics and HR so we do not need much of a people here. Again so as far as plants are concerned we have got three operating plants and all the three plants are pretty stable so there whenever required we do take extra labor but we do not need any significant staff there per se so maximum hiring is taking place only in sales because we are needing more feet on street, we are trying to increase our footprints and we are trying to go deeper into the hinterlands so I will say our 70% to 80% hiring is taking place only in sales and we are trying to take people with similar experience.

Kevin Gandhi: Okay Sir thank you that was helpful. Thank you.

Moderator: Thank you. Our next question is from the line of Jay Shah from KZB Investments. Please go ahead.

Jay Shah: Thank you Sir. Sir could you please help me understand how things are standing out within the quarter for both the segments for industrial and decorative in region wise in the East and if they are growing anywhere else?

Ashok Kumar Gupta: Okay let me give you a brief of what is happening but before I give a brief my Director of Sales Mr. Kuldip is on the call I think he can explain to you in detail both on the industrial front and decorative front and each other's role for different fronts and how things are shaping. Kuldip please.

Kuldip Raina: In terms of between the two segments decorative and industrial if you see our growth on a half yearly basis are almost the same but we found a very great attraction during Q2 in industrial business because due to extended rain and all the decorative business was a bit impacted and there were two reasons to this. If you look at every year between monsoon and Diwali if you have the longest period of time decorative sales will peak but which happened the other way around this time in terms of the shorter period between Diwali and monsoon ending so there was a little bit of lull in terms of decorative sales but industrial picked up during Q2 that was point number one. Second in terms of the regional since we are relatively stronger in North and East so they have performed well for us followed by South and followed by West that has been in terms of the growth trajectory.

Jay Shah: We have got market share from the South also this time?

Kuldip Raina: Yes so if you look at in both the quarters as I said we have grown at least 8% to 10% more than the industry growth and if I have to say across markets we have gained a share in both quarters and on the half yearly basis we have gained share.

Jay Shah: So this would primarily be in the industrial paint side I would assume?

Kuldip Raina: No, both industrial as well as decorative. Our growth is on a half yearly basis is just one notch up, it is 2% or 3% more in decorative business otherwise as I mentioned Q2 was better for industrial business than decorative the growth rates were higher in industrial as compared to decorative, but if you look at market share gain it has been in both the segments.

Jay Shah: Sir another question that I have was that our dealer network and the number of depots across the country we are progressing with that and what is our dealer margins at the moment which we are looking to optimize?

Kuldip Raina: So when it comes to the infrastructure starting from dealers to distributors to new formats distribution and as you mentioned about depots going forward we will definitely edge because we are venturing into new markets and we are expanding our horizon, we are getting into new territories, we are expanding the footprint in the market place so with that whatever infrastructure requirement will be there be it in terms of depots, be it in terms of our stock funds we will create. As of now we have identified at least five to six depots which will get kind of created in the next one quarter time and as far as distribution is concerned as I mentioned our topline grew at least by incremental growth of 8% we got new distribution and that will continue for the next half of the year also.

Jay Shah: What will be our dealer network?

Kuldip Raina: So if we look at currently we started the year at around 5000 - 5500 and we ended up at 800 - 820 outlets so we are currently holding between 6000 - 6300.

Jay Shah: That is a very good improvement. Also Sir we have increase in number of painters. what this statement meant so if you could please help me understand this it will be great?

Kuldip Raina: When it comes to paint industry, painters and dealers play a vital role in terms of the brand recognition, brand education so they recommend which brand to use and which not to use so we understood our weak areas and weak links and we started working onto that. We have not had good number of painters associated with our brand so we went aggressive and we increased this number from 2000 active to 4000 - 4500 active painters today what we have. We have a list of some 30000 painters with us who are registered with us, but active painters were just 2000 to 2300 which has almost doubled in the last two to three months time and as such it has helped us to improve our emulsion saliency and it has also helped us create a pull in the market place when the painter goes and asks for a particular brand and when he starts asking for Shalimar then dealers are bound to keep it and hence it helps you to build the brand in the market place so the numbers have gone up but a long way to go. We are working aggressively on this painter fraternity and in times to come we want ourselves to be known what you call a respected brand in the painter community.

Jay Shah: Thank you so much Sir. First I am very glad with this improvement in this entire scenario. Keep performing like this and best of luck.

Moderator: Thank you. Our next question is from the line of Manan Patel from Airawath Capital. Please go ahead.

Manan Patel: Thank you for the opportunity Sir. Congratulations for good numbers. Sir the first question is so you just mentioned 6000 to 6300 dealers so I would like to understand how many of them are active because you have mentioned that around 3000 were active in the past so what would that number be right now?

Kuldip Raina: Dealers number as you mentioned out of 800 there are 500-560 who have come up new across the table so we are currently at 3300 to 3500 because in the industry you will see that there is a depletion also every year at least 4% to 5% gets depleted as far as the number is concerned so effectively if you see out of 800, 500 to 550 are active dealers.

Manan Patel: Okay got it. Sir second question is so we were planning to do some balance capex and technology upgrades and have we finalized the plans for that and the capex amount that we require?

Ashok Kumar Gupta: We have worked something on that so we are looking at modernizing all our plants basically when I say modernizing at this stage we are not going for very state-of-the-art technology but we are trying to upgrade ourselves to whatever is industry standard. Currently we are slightly behind the industry. We will be spending I think close to some Rs.70 to Rs.100 Crores on that in the next couple of years and that should be sufficient to give us the first push in terms of upgradation.

Manan Patel: For this capex we will be required to raise debt right because right now we are sort of burning cash so what would be our outlook on the debt and the balance sheet?

Ashok Kumar Gupta: It will take some time for us to really work it out. At this time forming our plans of what to do and when to do and we are hoping that now onwards we will not be burning cash we will be generating cash, so keeping both in mind we will try to keep our borrowing at a minimum possible level perhaps limited borrowing will be required but at the moment we have not really worked it out how much will be going through borrowing and how much will be linked through our own funds and in a couple of months we will be finalizing that as well.

Manan Patel: Just to clarify on one of the previous questions so did you mention the growth on quarter-on-quarter basis at 10% to 12% volume growth I am talking about and year-on-year basis is 22%?

Mohit Kumar Donter: Kuldip you want to answer that question?

Kuldip Raina: If we look at the quarter basis we are at 12% in Q2 as far as volume growth is concerned and on an annualized basis we are at 18%.

Manan Patel: So 12% growth in Q2 versus the last quarter or versus Q1?

Kuldip Raina: Versus last quarter last year same quarter.

Manan Patel: We have mentioned that 20% price hike we have taken so that has come into full effect during the quarter or that will reflect in coming quarters?

Ashok Kumar Gupta: You will see that reflection in the coming quarters, some of it has already been taken into account, and some will be coming up in the Q3 and Q4.

Manan Patel: So will that help our COGS go down from 75% in the coming quarters?

Ashok Kumar Gupta: We expect the COGS to go down in both the quarters Q3 as well as Q4.

Manan Patel: Great Sir. Thanks a lot and Sir just one more thing so till last quarter we were adding a slide which was showing volumes in both the segments but this time we have not added that slide so that slide was very helpful so if you can add it from the next time it will be very helpful.

Mohit Kumar Donter: Sure Manan we will take care.

Manan Patel: Thanks a lot Sir and all the best.

Moderator: Thank you. The next question is from the line of Ninad Sabnis from Sabnis Financials. Please go ahead.

Ninad Sabnis: Good evening Sir. Picking up from one of the last questions you mentioned that we are hopefully targeting to reduce the cash burns and I wanted to understand some more on that perspective from the cash flow I see like on the balance sheet we have much like our cash and bank balance is down by almost half and investing in cash flows are also a bit higher so can you just let us know what has happened on that front?

Ashok Kumar Gupta: Two things one is the cash burn so going forward we are hoping that cash burn will not be there. The second part is where does the cash which we have in the balance sheet it goes so basically we have generated cash to do some working capital and about Rs.5 Crores to Rs.10 Crores which has gone primarily for capex and other some Rs.45 Crores to Rs.50 Crores which has gone to payment of term loan and all the money has gone for working capital only.

Ninad Sabnis: But the inventory days are I think reducing so I am not really clear as to how?

Mohit Kumar Donter: So in absolute terms inventory is higher but yes in terms of days it is down.

Ninad Sabnis: Okay are we sitting on a much higher price inventory?

Mohit Kumar Donter: It is not about the higher price because.

Ninad Sabnis: Because the raw materials have seen serious escalation in the last two quarters.

Mohit Kumar Donter: One impact is the raw material prices but the second impact is the sales numbers are also growing so to maintain the topline we need to have a inventory in line with the sales and we are having cross validation we have 33 depots so a marginally high inventory building up to map the sales or to match the sales is required. If we talk about the overall inventory from June we were having the inventory of Rs.115 Crores and now we are at Rs.107 Crores but yes in March we were around Rs.97 Crores to Rs.98 Crores slightly higher than the March number but yes from the previous quarter we are little down and it is improving.

Ninad Sabnis: One big picture or a broader macro level question we are seeing like we will be seeing over the next two years the government is making bigger push on infra development so are we expecting to capture the opportunity and maybe grow our industrial segment much higher do we stand to benefit from that?

Ashok Kumar Gupta: Of course our name is good infra so in the infra push our numbers will go up and the overall volumes also go up. We are giving a lot of emphasis on new projects so we are significantly present in industrial of 35% and within industrial we have a strong presence in lifelines and in segments which are used mainly for infrastructure, water transportation, oil transportation, and oil storage, those all are areas where the government is pushing and we are certainly benefited.

Ninad Sabnis: Correct so that is a great avenue for growth but it usually also creates another problem on the dealer cash flows and payments are usually not as timelines are not as good when you are involved in the government projects so how do we plan it there?

Ashok Kumar Gupta: So there are two aspects to it. One is you are supplying direct to government projects for few reasons where the payments are not big problem, second is we are supplying to contractors where payment could be a problem, we are trying nowadays to route our supplies to the contractors more and more through dealers so that our exposure is limited.

Ninad Sabnis: Okay great. That was really good to know Sir. Thank you so much. Thanks for everything.

Moderator: Thank you. Our next question is from the line of Vaibhav an Individual Investor. Please go ahead.

Vaibhav: Thank you for taking my question. My question is a followup on what the last participant asked on the debt profile of the company and we get half yearly numbers so if I look at the September 2021 which is last year same quarter end's debt figure it was about Rs.150 odd Crores in the interim over the last three quarters we have raised about Rs.252 odd Crores we have ended the quarter again with a net debt of about Rs.14 odd Crores now there is clearly some gap which has been on account of working capital that you rightly mentioned so what is the main components of this working capital especially around the payables which you have now reduced and the receivables which have increased disproportionately versus the revenue so that is the first question on the debt, second for the balance so if I look at your six month numbers on the cash flow side if I include your cash losses plus your working capital plus all the capex that you have done you are in the ballpark of Rs.80 Crores cash deficit that has been created there is still roughly about Rs.20 odd Crores which is unreconciled versus what would have happened say between the second half of the last fiscal year so that is the second question on that, third your finance cost is still about excess of Rs.4 Crores this quarter now with a gross debt number of about Rs.97 Crores and I am assuming Rs.55 Crores would be on account of the OCD proceeds from Hella your cost of borrowings in excess of 15% to 17% does not reconcile so if you could help with those three questions please?

Mohit Kumar Donter: Let me take your last question first so our interest cost because the surplus funds have been parked in FD and that is not in the other income line item but yes as you rightly mentioned that the majority of the interest part is in terms of OCD's interest it incurs that is at 9% coupon rate and the second one is our term loan which is with IDFC and few ECLGS loans right at the weighted average of around if I talk about it is around 11.5% to 12% so majority of the interest line is only on account of the term loans and very minimal charges for FD charges and the other charges.

Vaibhav: Interest across your loan profile the peak interest is about 11% to 11.5% right, in fact Rs.97 Crores gross debt number how does it reconcile with the Rs.4 Crores quarterly financial cost that you are incurring?

Mohit Kumar Donter If the borrowing is Rs.97 Crores right vis-à-vis as on March it was around Rs.140 Crores so we have repaid our debt to the tune of around Rs.46 Crores to Rs.48 Crores and on this Rs.97 Crores which is mainly Rs.55 Crores of my OCD borrowing then around Rs.20 Crores to Rs.22 Crores IDFC borrowings.

Vaibhav: Going forward this number will drop down to about Rs.2 Crores to Rs.2.5 Crores right on a quarterly basis?

Mohit Kumar Donter: OCD interest will stop once it will be converted into equity parts. These are convertible debentures and the moment it will trigger into the equity this part will be away.

Vaibhav: But even if it does not convert for Rs.97 Crores if I just let us assume you are on cash break even and whatever cash you generate of the capex that you will do for the next quarter in the next quarter also at a gross debt number of say about Rs.95 Crores to Rs.100 Crores your quarterly financial cost should go down to about Rs.2 Crores to Rs. 2.5 Crores?

Mohit Kumar Donter: There is an LC charge and other banks charges which are there for working capital that is also incurred into finance cost.

Mohit Kumar Donter : But for Rs.2.5 Crores you are right in terms of the OCD cost but the term loan it will take back weighted average cost if you will assume 9% that will grow up so roughly interest cost will remain down by Rs.1 Crores I will say not Rs.2.5 Crores on the quarterly.

Vaibhav: Right understood and other questions please.

Mohit Kumar Donter: So you have mentioned our total debt profile of the organization from March onwards or from February onwards we raised around Rs.300 Crores right and out of these Rs.300 Crores we have utilized Rs.140 Crores as of now and my cash loss if I talk about is around Rs.13 Crores. Out of this Rs.140 Crores, Rs.46 Crores in terms of term loan repayment and around Rs.20 Crores is to the old overdue creditors and the remaining is in terms of the working capital be it debtors, inventory and the repayment of the creditors because now we are also leveraging the better terms with the vendors for the procurement of raw materials and we are paying them in time.

Vaibhav: Around Rs.38 odd Crores is the reduction in your creditors other than micro and small enterprises so what is the nature of these payables that you have been able to bring down and how does it help the business going forward?

Ashok Kumar Gupta: Mohit can you take up those questions and reconcile separately.

Mohit Kumar Donter: ok, but other than micro is my other creditors like my other fixed expenses administration expenses but on the raw material side it is under the MSME category and the others.

Vaibhav: As an investor I have been tracking the company for good two to two-and-a-half years now ever since Mr. Gupta came and he had a lot of very promising outlook that we all as investors thought of can you give the amount of fund raising which you have been able to do there is almost a 32% valuation now I think the big positive for our company has been that you have been able to repay the debt and possibly ease the working capital situation but given that growth still reach the numbers which you were probably taking in the ballpark of even pre-COVID how would you assess your own performance if you especially look at the last one to one-and-a-half years since we have come out of the COVID situation and you have been able to get good partners is there any comments from you on that?

Ashok Kumar Gupta: I tell you what has happened. Any improvement in performance has two parts one is your revenue has to go up secondly your margins has to improve. Now after we have got the funding one of our critical factors that is impediment has helped us in increasing our revenue so our revenue in first half is at least at par or better than the industry that part we have been able to take care to a good degree. The second part is margins so if you compare the margins of the industry let us say four to five players over the last two to three years you will see that there has been a 9% to 10% drop in margins over the last two years now this has been because of the commodity increase which has happened across the world so just like industry EBIT margins have gone down by around 10% so has been ours. We used to work at a gross margin of 35% now we are at 25%. Going forward these margins have started reversing so already we are seeing that our gross margins have started improving from 23% to 25% to nowadays if I see monthly margins are coming close to 27% to 28% on the same revenue if my gross margins was at 35% I would have been making significant amount of profit even if they were around 27% to 28% which I am seeing now we would have again in positive so if we can maintain my revenue at the current level the H1 levels and my margins improve because of the softening of the commodity prices we are in positive so I think now the stage is all set for us to reap the benefits of softening commodity prices, keep our revenues the trajectory which we have continued and I think we are what we had targeted for. Two factors which have gone against us till now one was of course COVID which disrupted the market completely and we were one of the worst affected because we had a limited reach and second is high commodity prices, so high commodity prices affected everybody so in the case of our industry peers they affected EBITDA, the EBITDA has gone down let us say from 25% to 15%. For us it became a kind of a big problem because as it is our EBITDA had become significantly lower. If I see from that angle that everybody in the industry has seen the EBITDA go down by 10% from 25% to let us say 15% then I think we are almost at par with what the industry is doing there is some progress, so these are the two environmental factors which affected us. Hopefully going forward the same environmental factors will be helping us that is in short the whole scenario.

Moderator: Thank you. We will take our next question that is from the line of Dilip Sahu an Individual Investor. Please go ahead.

Dilip Sahu: Thank you. A good set of numbers Sir congratulations. My question is this 30% to 35% growth numbers how much is that constrained by availability of capital primarily the reason I am asking this question is because in the last five to six years we had got multiple rounds of equity which helped us in both capex as well as our working capital funding but obviously there cannot be multiple new rounds of equity release so will that affect the 35% aspiring growth that is question number one, essentially what I am asking is the growth at which you are expecting the gross margin to expand which will give us better free cash flow will that be enough to expand our growth at 35% and second question is regarding we are already in the middle of November end of the festive season I would assume that this is the peak quarter for paints business how is the season went by particularly in Tier-2 and Tier-3 cities and the regions like East where we have a majority of our shares? Thank you.

Ashok Kumar Gupta: So you are right that we had multiple rounds of funding. Now here again I will compare paint industry is capital intensive so if you see anybody in the industry normally they do not invest in hundreds they invest in thousands and we have been investing which can be lower number as compared to the industry peers most of the people have been investing couple of thousands, Rs.2000 Crores, Rs.3000 Crores, Rs.5000 Crores and we have been talking of Rs.100 Crores to Rs.200 Crores. We have may have 2-.3 series of funding but Rs.50 Crores and pay around Rs.190 Crores and followed by this current funding, so as compared to the peers even in two or three rounds of funding our total amount is much less than what peers have been doing that is one aspect. The kind of funding which we have got now we hope there will not be any Constraint on the growth in sales so today our constraint in growth in sales is not funds per se our constraint in growth of sales could be our reach. As you know in consumer goods we do not get growth in sales by tinkering with the prices or by tinkering with the discounts it is a gradual process. You have to enter into the nervous system of the consumer, you have to enter into their brain, and you have to enter into their environment so that is a slow process. Slowly you have to change that and you need to take 1% and 2% and that is why the growth in the consumer goods industry the increase in the market share cannot be dramatic unlike in commodities where if you decrease your prices slightly there is possibility that you can garner higher market share so it is a slow process. If we see in the first half as compared to last year first half our revenue growth is slightly higher than our large peers, which basically mean you have gained some market share. Because of our market share as it is so low so this does not make much of a sense to say how much market share we gain, but definitely we have which is a positive indication. In such a market you do gain market share by making hardly any investment. Now we are talking of an investment on small percentage of our peers 10% or 15% of our peers still you happen to gain market share I think that speaks volumes about your strategy that is one. Secondly going our margins should be improving because we had a very big handicap and that handicap was we were never paying our creditors on time so obviously they will either supply you nor they will be at good price. Again creditors takes time to understand your behavior. We have been trying to behave properly with them for the last four to five months now started in the month of April and May so today only people have started coming back to us and asking us that they would like to deal with us, till now it is to be other way round we used to tell the suppliers please deal with us and they will say okay we will see and we will consider it so I think these two changes which have taken place, (a) our getting market shares at whatever small amount it may be slowly it is creeping in and secondly suppliers coming back to us. These are two major changes which are happening. These changes are slow very slow particularly in the consumer industry, but they are long term so with these two changes we are hoping that we will win the fight.

Dilip Sahu: Yes. I have a second question regarding the reason how it is panning out?

Ashok Kumar Gupta: Which one Sir?

Dilip Sahu: Typically Q2 and Q3 are the peak season?

Ashok Kumar Gupta: Q2, Q3 till now almost on a similar level, we are having growth over last year and I will say that growth till now is there. There was even difference in the last year and current year. Last year our season is always pre-Diwali not post-Diwali. Last year our Diwali was in November this year it is in October so that is a difference which we will not be able to make the numbers comparable. Having said that we are definitely going to have a growth over last year in the Q3 current year over last year.

Dilip Sahu: So the price is quite steep has been taken well that is what you are saying it is not a negative phase now?

Ashok Kumar Gupta: We have taken almost significant 100%, see today also the gross margin of competitors is almost 9% to 10% lower than their best ever, best ever used to be 45% today it is 35% with our comparable competitors so we still we are 10% far away but we are much better than what we were. The worst days are over.

Dilip Sahu: Thank you Sir. Thank you very much.

Moderator: Thank you. Our next question is from the line of Madhav P from Shravas Capital. Please go ahead.

Madhav P: Sir just wanted to understand currently out of 3800 dealers you said you added 800 this quarter so how many would be exclusive or rather even finally dealers of Shalimar Paints,?

Kuldip Raina: I would say when it comes to exclusive dealers there are very few. Today the industry if we look at the paint industry 70% to 75% is MBO (multi brand outlets) only so in our case also the thing is same that most of them I would say 95% of these dealers which have been opened up are MBO (multi brand outlets) and not exclusive in nature.

Madhav P: If not the primary the secondary brand here in terms of difference so from the dealer would we generate the second highest revenue for restocking three or four brands?

Kuldip Raina: So I will say 10% of our dealer base if you look at we enjoy a dominant share of that particular shop but it is hardly 5% to 10% not more than that.

Madhav P: When we try enrolling more dealers and if I look at our whole universe of paint dealers in the country assuming it is around 150000 or 160000 Crores right the market leader is more than lakh dealers right and majority of them will already have at least two or three brands as you said so if that is the case how would we entice or even enroll someone to stock our products like what exactly do we offer say in terms of it is higher margins or a better credit period because someone who is already stocking the market leader or even number two in terms of market share why would someone stock our products so you can understand how do we sell so what is our USP of selling point to the dealer for a new dealer?

Kuldip Raina: So apart from what you mentioned as extended credit period and all we are trying to kind of do the other way around in terms of creating a demand for the products. Now demand will essentially happen through dealers push or a painter accepting and kind of asking for the product so as I mentioned we have aggressively started working on the painter fraternity and we are going to train them in the future. We are doing what you call telecalling to them, we are doing meets with them and we are trying to tell them about the USPs of our product. By and large if we look at all the comparisons which we have done and in some cases we are better than the competing products in the market place so through this route we are wanting to create a kind of push for our products which will help us building Shalimar as a brand in the market place as a significant brand in the market place and which will help us also to grow significantly in the coming times so that is one route and as dealer push and as such we are going to use some digital platforms also to connect with the consumers which will also help us building Shalimar as a brand and get into their consideration set so to say.

Madhav P: Sir on the same note right likewise how we also enroll painters and even competition does a few right they have clubs and other things right so how is our incentive structure or the software app is really different from how it is with competition but for someone who is actually being using Asian or Berger for a long time for them to switch and also take our product?

Kuldip Raina: One in terms of the incentive part we are slightly higher than the competition in terms of the incentives for the painters and secondly through these leads which I said we have aggressively started doing now the consumer touch points and the painter needs we are actually explaining about the superiority of our product because the first rejection happens from the consumer side in terms of Shalimar not being in the consideration set or not being on top of the recall so we kind of have tried to kind of portrayed our products as superior products than the competition in terms of the shine, in terms of shade, in terms of the product superiority so that helps them in terms of educating the consumer also that this is one notch up as compared to the other products available in the market and as is mentioned that certain interventions in terms of skill and certain interventions in terms of our incentives being better than the competition is also helping us penetrate into this painters fraternity.

Madhav P: Sure and the last question from my side in terms of new products right so any traction or we introduce any new products like construction chemical there is still 25% wide space between us and our competition where we are not present and where there is no overlap so anything on this front?

Kuldip Raina: So sure what we have done is terms of rightly pointed out waterproofing since it has a lot of synergy with the paints industry in terms of both channel as well as product level in terms of application also so in the last four to five years time waterproofing has become a significant part of paint industry and if I have to quote a number it is 7% to 8% today is being contributed by new business which includes waterproofing, adhesive, so we have also ventured into this by the category name as home protect and we have already rolled out our first offering which contributes to say 30% to 40% of waterproofing today which is to do with dampness because if you look at Indian household structures at least 60% to 70% have this problem of dampness and it is being used as an undercoat it is a replacement of prima as a customer everybody is wanting to get rid of this dampness on the walls and all so that is the first product which we have rolled out and I am happy to share with you that we got very good initial feedback for this product and in home protect we are going to roll out many products in times to come which will complete our basket of waterproofing at least the products which are having a good synergy with paint what you call as dealer base paid channel so those products we are going to launch and rollout very soon in the next three to four months' time.

Madhav P: Thanks.

Moderator: Thank you. Ladies and gentlemen we take that as the last question. I now hand the floor back to Mr. Mohit Donter for closing comments. Over to you Sir!

Mohit Kumar Donter: Thank you very much everyone. I am really grateful that you all have attended this meeting and we really had a fruitful discussion and a valid discussion. Thank you very much. Be safe and stay safe.

Moderator: Thank you. On behalf of Shalimar Paints Limited that concludes this conference. Thank you for joining us. You may now disconnect your lines.