

14th February, 2022

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
Scrip Code: 532741

Subject: Q3 & 9M FY22 Earnings Conference Call Transcript

Dear Sir/Madam,

Pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find attached herewith Earnings Conference Call Transcript held on 04th February, 2022, for the 3rd Quarter and 9 Months ended on 31st December, 2021.

We request you to kindly take the same on record.

Thanking You,

Yours Faithfully,

For Kamdhenu Limited


Khem Chand
Company Secretary & Compliance Officer



Encl: as above.



“Kamdhenu Limited Q3 & 9M FY2022 Earnings Conference Call”

February 04, 2022

KAMDHENU LIMITED, MANAGEMENT :

MR. SATISH AGARWAL - CHAIRMAN & MANAGING DIRECTOR

MR. HARISH AGARWAL - CHIEF FINANCIAL OFFICER



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*Kamdhenu Limited
February 04, 2022*

Moderator: Ladies and gentlemen, good day and welcome to the Kamdhenu Limited Q3 & 9M FY22 Earnings Conference Call. This conference call may contain forward-looking statements about the company which are based on the beliefs, opinions and expectation of the company as on date of this call. These statements are not guarantees of future performance and involve risks 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 the conference call, please signal an operator by pressing ‘*’ then ‘0’ on your touchtone phone. Please note that the conference is being recorded. I now hand the conference over to Mr. Satish Agarwal-Chairman and Managing Director of Kamdhenu Limited. Thank you. And over to you, sir.

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. Before we proceed ahead, I hope all of you and your loved ones are safe and keeping well.

We have uploaded our Results & Investor Presentation for the quarter on the Stock Exchanges and company’s website. Hope each one of you had a chance to go through the same.

With revival in economic activities post the second wave of covid-19 and India’s large vaccination drive which progressed well in vaccinating large number of people, which has led to stable business environment and positive consumer sentiments. Our company has continued to maintain momentum in our business in the quarter gone by.

The ongoing third wave of Covid in India has so far been less stringent than the previous waves. We are well prepared from the learnings of our previous experiences to tackle the current situation. We have not witnessed any material impact on our business.

Q3 FY22 was a steady quarter for the company. On overall level, our company has achieved topline growth of 24% and PAT growth of 7% in Q3 FY22. I would talk in more detail with regards to steel and paints business performance separately.

Now, first coming to Paints business, I would like to highlight on the performance during the quarter and nine months. The Company has achieved revenue growth of 25% YoY in Q3 FY22 and 29% YoY in 9M FY22. This is on the back of full fledge operations at our paint factory at Chopanki, Rajasthan from October 2021 onwards. It has state of the art facilities and upgraded manufacturing facilities with new machinery. With the outset of full fledge operations, we expect significant uptick in our business trajectory in the quarters going ahead. Demand for our paint products have remained strong driven by festive season and prolonged wedding season in India. Consumers are more inclined towards home improvement and making their spaces look better which has led to increased demand. Over past few quarters, paint companies are facing inflationary trend in the prices of raw material and this challenge has continued in Q3 FY22. The

company took price hike of ~10%-11% during Q3 FY22. There has been some softness in raw material prices in the current quarter and we expect it to stabilize soon. Demand for decorative paints has been witnessing strong traction over past few quarters and we expect this momentum to continue on back of shortening of repainting cycle, housing demand and consumer preference to build pucca houses.

Our company is focused on increasing share of premium and environment friendly products and introducing new variants in the market for the common masses to meet the varied customer requirements. I would like to update on the insurance claim towards building, plant & machinery is under finalization stage and the claim amount is expected to be received within this financial year

Coming to the “Scheme of Arrangement”, the Hon’ble National Company Law Tribunal (NCLT), has accepted the second motion application done by the Company on 16th December, 2021 and they have fixed 22nd March, 2022 for the consideration of the final approval of the Scheme of Arrangement. In order expedite and accommodate the issuance of shares with regards to the scheme of arrangement for demerger of paints business, the board of directors has approved increase in Authorised Share Capital of the Company from Rs. 30,00,00,000/- to Rs. 41,50,00,000/- divided into 3,00,00,000 Equity Shares of Rs.10/- each ranking pari-passu in all respect with the existing Equity Shares of the Company and 1,15,00,000 Preference Shares of Rs.10/- each subject to the approval of shareholders of the company.

Now, I would move on to give key updates on Steel Business. We have clocked a revenue growth of 23% YoY to Rs. 149 crores in Q3 FY22 and 55% YoY growth in 9M FY22. During the quarter gone by, our company has face challenges due to external issue of pollution at Delhi and NCR region. TMT manufacturing plant at Bhiwadi was under partial operations/ shutdown for 27 days due to ban imposed by NGT (National Green Tribunal) in Delhi and NCR region. Moreover, construction activities in Delhi & NCR region were banned for 35 days. Also few of our franchisee plants are located at NCR region therefore production was hampered at those plants due to the ban imposed by NGT. Further unprecedented monsoon, festival holidays and slowdown in construction activities further impacted the overall demand for franchisee sales in Q3 FY22. Operations are back to normal levels at our own manufacturing plant and franchisee units and we expect good demand momentum ahead.

Our company plans to enhance its market share of TMT bars and increase the production capacity of its brand of ‘Kamdhenu Nxt’ through franchisee route. As mentioned in the last quarter, we are expanding the production capacity of franchisee unit in state of Telangana and it is progressing well. This is in line with our vision to reach capacity of 50 lakh metric tonnes in next 2 years. We are confident of achieving high franchisee sales on back of strong product quality with superior strength and large distribution network to reach remotest areas.

With recent government's budget outlay towards affording housing, we expect it will boost the demand for construction materials. Also government's push towards infrastructure development and metro and railway projects will further propel demand for steel products.

To conclude, we expect the demand momentum to continue with business activities getting back to normal levels. At Kamdhenu, we strongly believe in enhancing shareholder's value and strive to achieve the same through continuous evolution and upgradation of our efficiencies. We are also looking to penetrate further into markets where our presence is less and strengthen our footprints in existing geographies. With our strong brand, large distribution network and huge product portfolio in both paints and steel business, we are well placed to grow faster in the coming decades and provide value added products for the common masses.

Now I would like to hand over the line to Mr. Harish Agarwal to update on the Financial Performance of the Company.

Harish Agarwal:

Thank you, Sir. I will take you all through the Standalone Financials for Q3 & 9M FY22.

First, about the Paint Business,

- Total Sales from Paint Business for Q3 FY22 stood at Rs. 77.5 crores as compared to Rs.62.2 crores in Q3 FY21, growth of 25% YoY and stood at Rs. 62.9 crores for Q2 FY22, a growth of 23% QoQ . We expect growth trajectory in our paints business on account of rise in real estate buying, revival in housing demand and changed consumer behaviour with focus on enhancing and beautifying their personal spaces and homes.
- We have reported positive EBIT (not adjusted for unallocable expenses) of Rs.4.3 crores for Q3 FY22.
- Paints segment contributed 34.2% of Revenues in Q3 FY22
- Our overall volumes from own manufacturing and outsourcing stood at 9,141 KL for Q3 FY22 as compared to 8,701 KL for Q3 FY21, a YoY growth of 5% and stood at 8,351 KL in Q2 FY22, a growth of 10% QoQ.
- To quickly summarize the nine month numbers:
 - For 9M FY22, total sales stood at Rs. 173.5 Crores as compared to Rs.134.8 crores in 9M FY21, an increase of 29% YoY
 - For 9M FY22, we have achieved positive EBIT of Rs.5.8 crores.
 - For 9M FY22, our volumes stood at 22,584 KL as compared to 20,739 KL in 9M FY21, a growth of 9% YoY

Coming to the Steel Business

- Our steel volumes including Franchisee route have stood at 6.33 lakh metric tonnes in Q3 FY22 as compared to 6.57 lakh metric tonnes in Q3 FY21 and 6.27 lakh metric tonnes in Q2 FY22.
- Total Brand Turnover for Q3 FY22 stood Rs. 3,973 crores as compared to Rs. 3,353 crores in Q3 FY21, a YoY growth of 19% and stood at Rs. 3,792 crores in Q2 FY22, a growth of 5% QoQ.

- Royalty Income through Franchisee's stood at Rs. 23.2 crores in Q3 FY22 as compared to Rs. 23.5 crores in Q3 FY21 and stood at Rs. 22.5 crores in Q2 FY22, a growth of 3% QoQ.
- Revenue from Own Manufacturing was up by 17% YoY to Rs.113.8 crores in Q3 FY22 as compared to Rs. 97.3 crores in Q3 FY21 and stood at Rs.125.5 crores in Q2 FY22
- To quickly summarize the nine month numbers:
 - For 9M FY22, our volumes including franchisee route stand at 18.4 lakh metric tonnes as compared to 16.6 lakh metric tonnes for 9M FY21, a growth of 11% YoY
 - Total Branded turnover for 9M FY22 stood at around Rs.11,250 crores as compared to Rs.7,970 crores for 9M FY21, a growth of 41% YoY
 - Royalty income through franchisee's For 9M FY22 stood at Rs. 67.3 crores as compared to Rs. 58.7 crores in 9M FY21, a growth of 15% YoY.
 - Revenue from Own Manufacturing for 9M FY22 stood at Rs.327.3 crores as compared to Rs.207.9 crores in 9M FY21, a growth of 57% YoY

For the overall business

- Revenue for Q3 FY22 stood at Rs.226.5 crores as compared to Rs.183.4 crores in Q3 FY21, a YoY growth of 24% and stood at Rs.215.5 crores in Q2 FY22, a QoQ growth of 5%.
- Our EBITDA was up 6% YoY to Rs.14.5 crores in Q3 FY22 as compared to Rs. 13.7 crores in Q3 FY21 and stood at Rs.14.0 crores in Q2 FY22, a growth of 3% QoQ. Our EBITDA Margins for the Quarter stood at 6.4%.
- Profit after tax stood at Rs.7.7 crores for Q3 FY22 as against Rs.7.2 crores in Q3 FY21, a growth of 7% YoY and stood at Rs. 7.7 crores in Q2 FY22
- Let me quickly summarize the nine month numbers
 - For 9M FY22, our revenues stood at Rs.587.9 crores as compared to Rs. 402.9 crores in 9M FY21, a growth of 46% YoY
 - For 9M FY22, EBITDA stood at Rs.40.0 crores as compared to Rs. 29.3 crores in 9M FY21, a growth of 37% YoY
 - For 9M FY22, Profit after tax stood at 20.9 crores as against Rs. 11.1 crores for 9M FY21, a growth of 88% YoY

With this, I would like to open the floor for Q&A.

Moderator:

Thank you very much. Ladies and gentlemen, we will now begin the question and answer session. The first question is from the line of Esha Savla from Arya Securities. Please go ahead.

Esha Savla:

Good afternoon. Thank you for the opportunity. Sir what is the current utilization levels at both our plants? What was the utilization in current quarter and the quarter gone by? Have you faced any impact from the third wave of COVID?

Harish Agarwal:

Yes, we have little bit impact of COVID in the Q3 and there are some impact in the Q4 also as January was the peak for this COVID. the average utilization of our plant is around 75% of steel and around 60% of the paint.

- Esha Savla:** Okay Sir and Sir have you introduced any new products in paint and steel business over the last few months?
- Harish Agarwal:** No. It is a continuous process. In the steel, we used to introduce our new products over a period after two to three years. in the paint business, it is a regular feature for developing the product but in the last three months, we have not introduced any new product.
- Esha Savla:** Sir can you throw some light on your capex plan in both the businesses?
- Harish Agarwal:** Right now we do not have any capex plan for the steel and paint. In the steel business, we have the franchise business model where we are expanding our capacity from 38 lakh metric tonnes to 50 lakh metric tonnes through the franchise route, where investment is made by the franchise units. We do not make any investment in the steel business. In the paint business, our existing facility is sufficient to achieve the turnover of around Rs.450 Crores so after achieving or by reaching nearby, we will plan for the next plant.
- Esha Savla:** Thank you. That was helpful.
- Moderator:** Thank you. The next question is from the line from Sumit Kumar from Apex Investment. Please go ahead.
- Sumit Kumar:** Thanks for the opportunity. Sir I have a couple of questions in the paint business? Sir can you share to me what is your view on current increasing competition intensity in paints industry with entry of new players like Grasim and JSW Paints?
- Satish Agarwal:** This is a relevant question, in today's date and with the demand which is coming in, there is almost 15% to 18% annual growth which can be expected. You may also have seen that the whole business of the unorganized sector is shifting to the organized sector. So, the future potential for this is very good. If you have seen that the Government of India has allocated around Rs.48,000 Crores funds for the affordable housing, and 80 lakhs is the target for affordable housing in 2022 financial year which has been put forth. If we see that, there is an additional demand for 10,000 Crores, we would be expecting in paints segment particularly in the affordable housing. And because this spread in the whole country, then I understand that wherever the opportunity, I would think that we will get some share from this. Likewise, we had discussed that the company needs around 30% to 40% growth, so the target that has been kept is intact and when we go around Rs.450 Crores then, there is a requirement of around Rs. 150 Crores to increase our, marketing & sales and we think that we have to put efforts towards that, we need to increase the dealer's commission, we are also increasing the product portfolio and beyond this the area, which is there, we are opening new depots to newer areas. Now we have the limitation that in north, we have the production facility and not there in the whole of India, so for us there is a limitation due to the freight disadvantage. But as and when the time comes, we will work towards new opportunities with our current production capacity. Going forward, we will work towards our targets which are easily achievable for the company and the team which is

there they are working in full speed. Our paints business is into retail, side where we do have an expertise. As you mentioned that like JSW is coming up and there are other players who are coming inside this, who are very big players, so they have their own market share, but this is a retail business. The work we do in steel, is about be 90% is nearly the retail sales. As given in the presentation I have told you that for the nine months we have a business of around Rs. 11,250 Crores, this year and out of this 90% is in retail segment we have done. In paints also we have the retail business, then we understand that in retail business we have the expertise because of steel that also will be utilized here. The big players who are coming in they will have the projects sale, institutional sales and , government sale will be there. They will not have big portion on retail side..

Sumit Kumar: Sir my next question is on raw material prices . I assume that all paint companies, they are seeing inflationary trend in raw material prices over the last few quarters so can you share by what percentage have raw material prices increased on quarter on quarter or Y-o-Y basis and what is the quantum of price increase we have taken in Q3 FY2022?

Satish Agarwal: I would like to share with you that almost for all the paint companies , the prices which were there, they were all same in Q3 FY22. So, whenever the price increase takes place in Asian or other companies we also do the price increase in similar percentage. We have taken price increase of around 10% to 11% and that was taken in two stretches and for it to get adjusted or for it to be accepted, will take some time. So the 10% to 11% price which has come up in Q3, about 20% effect has come in Q3 and the rest of the effect will come in Q4. Apart from this the current prices which are there, there will be almost again price increase of around 1% or 2% which will be there in the raw material. Hopefully in the month of February 2022, we may see another price increase but that price increase will be accepted by the market only until Asian Paints take the lead and they declare the price hike . So all the other companies are also following it, they do at the same level and at the same percentage. So almost the price increase which was there in the cost of materials, from that almost we have passed on 90% from that. But now whatever portion which was left due the increase in crude, that we shall try to pass it on the consumers going forward.

Sumit Kumar: Thank you. That is it from my side.

Moderator: Thank you. The next question is from the line from Priyanka Singh from Atidhan Securities. Please go ahead.

Priyanka Singh: So, firstly your company has 1,600 plus tinting machines installed at dealer outlets? Sir what is your view on the increasing usage of tinting machine and like are we planning to add any more tinting machines going ahead?

Satish Agarwal: If we want to increase our sales, with the current scenario , there is availability of more than 2000 shades through tinting machines in the market for the customer. But practically it is possible only to keep seven, eight or ten regular shades in the stock., The role of the tinting machine is

very big and the customer requirement is provided at earliest through computerized machine., So if we have to increase the sales, then we have a plan for the tinting machines that whenever the tinting machines comes, we can increase it from 1,600 machines. Gradually every month, every year, we are increasing it, and small machines are increased as per the requirement of the dealer. Additionally, we do not have capex plan right now. One thing is there that the outlook for the company was given that the company in the next four-five years, it will clock a turnover of Rs.1,000 Crores then for that we will do the rethinking with the dealerships and if there are any plans which are required or there is a requirement for tinting machine or any other investments, we will certainly do the funding for the money through bank or any other way.if it will be required . Whatever is there, we will do and the tinting machines is a continuous ongoing process and this will increase every month and every year, as and when the requirement is there. Since 90% product is water based especially the premium emulsion, that segment we do have the presence and the premium emulsions will always make it through the tinting machines. and I would like to share one more thing here that Kamdhenu has developed the method of QR code. When you scan the QR code in the phone, you can scan and download the shade card. So, this will be the biggest benefit for all the consumers and for all the dealers and all the painters. So that benefit is there only when the tinting machines are with us. So on that side we are continuously doing the work and once we need these, according to that we can install the tinting machines.

Priyanka Singh: Also like many paint companies have introduced water proofing as default product in the paints so what is your view on water proofing product?

Satish Agarwal: The requirement for water proofing is very big at the time of construction. So at the time of construction, the dealers of steel or cement they have water proofing compounds. At the time of construction or when the painting is done, that time they would need water proofing. So the company has come and launched water proofing products and we are entering into this line gradually. We have almost 10% dealers and around 400 or 500 dealers they are marketing in water proofing products.

Priyanka Singh: Lastly are you on achieving your stated target of Rs.450 Crores by FY2023 and Rs.1000 Crores by FY2026?

Satish Agarwal: See, for this we are trying to make all arrangements and whatever is needed, whether it is through outsourcing model or own manufacturing, the work is going on. After demerger, we will be in better position to do the full decoding that at what speed will be able to grow ahead. Hopefully the target which is there, we will have to achieve it. We are planning to open new depots in new areas, we are planning of dealers in the new areas and we are planning around from where we can source the materials. So the whole team is planning ways to achieve the outlook of the company and whole team is working towards that and hopefully we believe that in the coming years we will be able achieve the target.

Priyanka Singh: Very helpful. Thank you.

- Moderator:** Thank you. The next question is from the line from Shrees Waze from Money Life Insurance. Please go ahead.
- Shrees Waze:** Thanks a lot for taking my question. My question is regarding the scheme of amalgamation so one of the entities being merged is a promoter entity called Kay2 Steel and I went through the website and information available publically about Kay2 Steel so what I found was that it is engaged in similar line of business and follows the similar franchise way models and also kind of operates in similar geography. so I have two questions. My first question is regarding like why do we have this kind of arrangement because firstly where why a promoter entity was engaged in competitive line of business? secondly after the amalgamation will Kay2 be a separate brand that Kamdhenu will be maintaining or will the network franchise will be amalgamated and only one Kamdhenu brand will be used for steel? Thank you.
- Harish Agarwal:** There are two things which you have to understand separately. One is there is a trade name in the company, Kay2 Steel Limited. It is a promoter owned company in which promoter shareholding is there. The other companies which we are merging in this, one of the companies is Kay2 Steel, there is no business activity in this. With regard to brand, that is separate. It belongs to others not with this company so as per the government guidelines, we have multiple layer of shareholding for the promoters and that should not be there. So the promoter shareholding which was around 30% where the promoters had many other companies, the seven eight companies which they have, and after amalgamation all the companies will be merged and they will all come into Kamdhenu Limited. All the shareholding will be held by the individual promoters. Now the shareholding ratio is 64.5% that you will not be seeing under the company's name, but they will all be individual names. And for this de-merger process, as we have also told in the presentation that the admission of second motion petition was approved on 16th December 2021 and on 22nd March 2022, we will be having the final hearing in NCLT. It was supposed to be held in January but since under NCLT, we were getting the dates very late, because of this we are getting delayed by two to three months for the scheme of arrangement. But we are proactively doing our work. To accentuate this whole process, the authorized capital will be increased and we had proposed the board to approve the authorized capital. On 10th March 2022, we have planned for the EGM and there will be separate process and we will complete it. We are doing the work on this.
- Shrees Waze:** Got it. Thank you Sir. Sir my second question is regarding, since we rely on franchises which are largely MSMEs and small enterprises and we have been hearing that the unorganized sector in the small companies have taken a hit due to the COVID-19 pandemic. So I wanted to understand that are you seeing any kind of stress in the balance sheet or our businesses of your franchise units and would this kind of be a risk going forward for our company?
- Harish Agarwal:** The franchise model which we have, under this the risk factor is to the extent of royalty amount., There are no price fluctuations nor any other risks involved in this. As and when the production increases, and we hope that the business of the franchises increase. We motivate dealers, distributors, franchise units, sales team, and marketing team to work towards increasing sales. If

the sales increase, then all will have a win-win situation and our royalty part will also increase. So, because of the COVID the production level had decreased, likewise we have told in the presentation in Delhi and NCR region, the production in our plants decrease. In NCR we have four franchise units, their production also got hampered. On account of the production being hampered, then we got our royalty to that extent and we are impacted otherwise not.

Shrees Waze: Got it. Understood. Thanks Sir. That would be all from my side.

Moderator: Thank you. The next question is from the line from Mukuntha Rao from MDSM. Please go ahead.

Mukuntha Rao: I have two questions. The first one is about just now you talked about how the industry got impacted due to the NGT in the NCR region. So the first question that I have is what kind of a contingency plan that we are going to have because this is going to happen may be in the coming future also. So what is the contingency plan that we have to take care of this issue which should not affect our financials greatly? The second question that I have is we have talked enough about the paint business. I totally understand that concept, but what is the future for the steel industry going forward? It will be helpful if you can elaborate a little bit more on the plan..

Harish Agarwal: I got your first question the contingent plan which is there in this, this can be done every year, the Hon'ble Supreme Court has passed the order then everyone has to obey that. So because of this the Hon'ble Supreme Court, in Delhi NCR the construction has been banned and NGT order in NCR region, steel industry partial operation to be allow for some time, so I believe the contingent plan can only be through at the government level. As an industrialist, we need to think about your suggestion, otherwise apparently it is beyond our control. The second question I was not able to understand, what you were asking.

Mukuntha Rao: If you can explain a little bit more on the future that you have on the steel operation basically?

Harish Agarwal: Under steel business we do have one manufacturing plant which is in Delhi NCR otherwise we do our work through franchise route, which is our main business. We are working like a branding marketing company where our plant which we use as mother plant, where R&D has the biggest job, under the franchise route, we have appointed two members, one is operational head and one is for quality monitoring and we are giving them the training also which is done through this plant. The products which are being produced in this plant, we sell it to Delhi NCR market we cater to. The plan which we use for steel that is taken through the franchise route and the capacity which we intent to increase, within the steel that will also be done through the franchise route. There is no capex plan under this. We are increasing this through franchise route and to increase this the existing units, which are there we are giving the first opportunity and even after that if they have any limitations, financial or space, then we will appoint some more new people. Like this we are working on the steel.

Mukuntha Rao: Thank you.

- Moderator:** Thank you. The next question is from the line from Dinesh Kotecha from KRIC. Please go ahead.
- Dinesh Kotecha:** Good afternoon Sir. Jai Shreekrishna. I am very happy that I have got this opportunity and since you are very accustomed in Hindi, that is why I am asking my questions in Hindi. Two to three things wherein I need to give you compliments one is that we are paid the full insurance claim, secondly the units under paints division, which has now come to profitability. Thirdly, Sir the premium products which you have of TMT bars what is our position over there ? What is the market share and how much it can it go up to ?
- Harish Agarwal:** You are talking about the PAS 10000 or you are talking of Kamdhenu Nxt?
- Dinesh Kotecha:** I am talking of the Kamdhenu Nxt.
- Harish Agarwal:** Kamdhenu Nxt, we were doing that firstly at the regional level, and we were expanding this from region to region. For this product we have rolled out all over India. So, in the next few days, only Kamdhenu Nxt will only be available to the whole of India. The other product which we were making Kamdhenu TMT, now we are not manufacturing that product.. We are making the upgraded version in all over India and expanding further..
- Dinesh Kotecha:** Secondly I wanted to know the process which was there for the demerger of the paints company, by when will it get completed and when can we get the share of that newly merged entity?
- Harish Agarwal:** We were expecting and that during the presentation also we had spoken about it. In the past conference calls also we have spoken that within this financial year we will complete the process. Because the system with regards to NCLT, it will get delayed by two to three months. . The hearing which was to be held in January 2022 is now fixed on 22nd March, 2022. Once the order comes and then we will get the approval from RD then within Q1 FY23 I think the whole process should be completed.
- Dinesh Kotecha:** Secondly, I wanted to understand what is the expansion plan under construction chemicals?
- Harish Agarwal:** We are doing construction chemicals, but the focus area is the decorative paint in premium segment. Our focus area is premium products and water based emulsions. In case there is requirement for construction chemical to match the product line when we go to the shop, then we are making that product, but it is not that we have much focus on that. Our focus will be on premium water based products.
- Dinesh Kotecha:** I have a last request when you give the financial figures, profit and loss, please keep consolidated on one side and the standalone on the other side, you are mixing the standalone, consolidated. It would be very easily if you do like this.

- Harish Agarwal:** The numbers that you see in standalone or consolidated is almost the same. This is a statutory requirement and that is why we need to do it. If you compare the numbers, almost all are same, it is only about 3 lakhs or 4 lakhs capital that has been increased in consolidated, that is number one. Number two is this format which is there that is prescribed by the SEBI under the LODR. I do not have any choice if I can keep it on the top.
- Dinesh Kotecha:** I am talking about the presentation where you can give the standalone, and consolidated separately. That can be done Sir.
- Harish Agarwal:** That can be done, but we have not done because the numbers which are there is only standalone number which has been given. Because the main is the standalone number, as consolidated numbers are same and not much difference is there.
- Dinesh Kotecha:** One thing I need to understand that in January and February what was the trend in the paint industry?
- Harish Agarwal:** In January it got impacted because of COVID third wave. As this is getting lessened, the market has picked up.
- Dinesh Kotecha:** Thank you very much and wish you all the best Sir.
- Moderator:** Thank you. The next question is from the line from Utkarsh Somaiya an Individual Investor. Please go ahead.
- Utkarsh Somaiya:** Thank you for the opportunity. Sir can you please tell me what is the peak revenue you can grow in your paint business?
- Utkarsh Somaiya:** In paints, what revenue can you do at 100% capacity?
- Harish Agarwal:** That is Rs.450 Crores from our own plant and Rs.250 Crores from the outsourcing unit. Total is Rs.600 Crores turnover we can achieve.
- Utkarsh Somaiya:** So can achieve this to be achieved in FY2023?
- Harish Agarwal:** No it is capacity. It cannot be treated as achievement of the sales because there is a line of productions. There are certain water based, others are powder based, others are solvent based so it will depend on the requirement of the market so there is a demand in the market. There is a capacity in the plant so we have to match them according to the requirement of the market.
- Utkarsh Somaiya:** So given the requirement, how much revenue can we do for our paint business?
- Harish Agarwal:** That will remain the same of Rs.600 Crores. If the demand comes from the market as we have in the plant so it will be Rs.600 Crores.

- Utkarsh Somaiya:** In your steel business this quarter how much is your own manufacturing and how much is outsourced in the franchisee model?
- Harish Agarwal:** You are talking about Q3.
- Utkarsh Somaiya:** Q3 yes and nine months both?
- Harish Agarwal:** Nine months Q3, I will give you the figure. In the nine months, we have achieved 17.8 lakh metric from the franchise route and 67,000 metric tonnes from our own plant. This is for nine months. For three months, from the franchise route it is 6.12 lakh metric tonnes and 24,000 metric tonnes from our own manufacturing.
- Utkarsh Somaiya:** What is the capacity of your own plant?
- Harish Agarwal:** Our own capacity is 1,20,000 metric tonnes per
- Utkarsh Somaiya:** What is the EBITDA per tonne you did in this quarter?
- Harish Agarwal:** EBITDA is 6.4%.
- Utkarsh Somaiya:** Can u throw some light on EBITDA per tonne?
- Harish Agarwal:** Per tonne cannot be calculated. You have to calculate the royalty on per tonne basis. That is around Rs.375 per metric tonnes royalty. Average royalty is what we are charging from the franchise unit.
- Utkarsh Somaiya:** Understood Rs.375 per metric tonne. So is this standard Rs.375 and will it remain constant?
- Harish Agarwal:** It is not constant. It may be Rs.370 say average of last three months for Q3. It may be Rs.370, it may be Rs.380 and Rs.390 depending on the collection.
- Utkarsh Somaiya:** As you said 17.8 lakh tonne was sold in nine months and you spoke about expanding via the franchise route so can you lay out your expansion plan for the next two years?
- Harish Agarwal:** Our present recent capacity is 38 lakh metric tonnes and we are expanding 38 lakh metric tonnes to 50 lakh metric tonnes over period of next two years through the franchise route only.
- Utkarsh Somaiya:** You are not going to do any capex for this?
- Harish Agarwal:** Yes.
- Utkarsh Somaiya:** Will you be doing capex on the partner and producers?

- Harish Agarwal:** No. We are not incurring any capex in our own plant or in the franchise. Capacity will be increased by the franchise itself. They will make the investment.
- Utkarsh Somaiya:** Sir thank you so much.
- Moderator:** Thank you. The next question is from the line from Atul Kothari from Progwell Securities. Please go ahead.
- Atul Kothari :** Sir thank you for the opportunity. Sir my only question is related to the paints business, we have signed Preity Zinta as a brand ambassador, so have we done any marketing campaigns with her. Can you provide some inputs on that, it would be grateful?
- Harish Agarwal:** For our paints products we have signed her as brand ambassador for print media. The promotional material which is there which is being circulated in that we have put the photo of Preity Zinta and it is getting promoted with her name. There are social media apps and promotions which are there, which are coming up on Facebook, Instagram, Twitter, so in the market we are promoting the products with her campaign. Now if you would have seen the advertisement that the results had come in the newspaper, Indian Express, Jansatta and Financial Express all editions, and in this also we had put an ad of Preity Zinta about half the page.
- Atul Kothari:** Have we seen any market share gains in any particular segment, within the paint segment?
- Harish Agarwal:** Yes, the market share gain is being increased in north. In the south it is very less, and hence we are making a footprint over there. Other thing is that after there was a fire incident in our plant, the dependency which was there in outsourcing, even on the premium products, after starting the plant our dependency is less over there and the products which were being manufactured outside that are now started in our own plant now. So, the premium products we are outsourced for them we have a very good hold in north. .
- Atul Kothari:** During Q3 FY22, was there market share gains in any particular segment, within the paint segment?
- Harish Agarwal:** We are increasing our market share under the premium emulsions, in stainers and colourants there are these different types of tubes, which are colour coated, we are increasing it over there.
- Atul Kothari:** Q3 FY2022 which has just gone by What was the average selling price for paints in Q3 FY22?
- Harish Agarwal:** The actual selling which is there, if I speak about the manufacturing then it is about Rs.123 per liter and if we talk about outsourcing it is about Rs.55 because we outsource the low value products. The high value products we are manufacturing here. What we are manufacturing is Rs.123 and outsourcing is about Rs.55 per liter is the average selling price.
- Atul Kothari:** Sir, is this the cost price or the selling price, which you are speaking about?

- Harish Agarwal:** I am speaking about the selling price, ASP, average realization price per liter.
- Atul Kothari:** Sir, you have spoken about the value added products are being manufactured at our own plant, rather than outsourcing, so can you tell what is the proportion of ratio within the outsourcing and in-house manufacturing?
- Harish Agarwal:** At this time, it is about 60:40 ratio which is going on.
- Atul Kothari:** Mostly whatever outsourcing is done it is done for the low value products?
- Harish Agarwal:** Yes.
- Atul Kothari:** What is the margin differential in this?
- Harish Agarwal:** We need to give some amount of margin for the those who are outsourcing, but then it will get compensated by the low value products and it will get compensated through freight elements. Hence he will get the profit and I will not get that much load. If I have to send the material to Udaipur, then after producing the material inside Udaipur plant, then sell it then I have to pay heavier on freight for the low product, if I do it for the high value, then it will be the same freight, low value products also has freight. So if that freight element goes to the margin then I will not have that much impact.
- Atul Kothari:** What would be the differential meaning the in-house and whatever I am outsourcing, you were telling that it would not be that much that is what you are saying?
- Harish Agarwal:** No. The margins would be more if we are doing our own manufacturing and the reason it will be more because I am making value added products, and I am making premium products and whatever I am making outside, that is low value product. If someone is making a margin from me in the low value added products so I will be not be impacted by the margins because suppose if he is getting a margin of Rs. 5 on for one liter from me, then , I will only have impact of Rs.2 and Rs.3 I will be saving in freight. Have you got my point?
- Atul Kothari:** Yes I got your point. What are your debt levels in the paints business?
- Harish Agarwal:** In this we have the working capital mainly of around Rs.40 Crores and about Rs.12 Crores, we had taken working capital loan during the COVID times.
- Atul Kothari:** Like you were saying that we had already done about the distribution in paints facility, so what is the revenue potential for this facility for the full year?
- Harish Agarwal:** Full year, if you manufacture and the market is there and everything is sold, then we will have a turnover of Rs.450 Crores from this plant.



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Atul Kothari: That is it. Thank you very much.

Moderator: Thank you very much. Ladies and gentlemen as there are no further questions, I would now like to hand the conference back to the management for closing comments.

Harish Agarwal: I take this opportunity to thank you everyone for joining on this. 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.

Moderator: Thank you. On behalf of Kamdhenu Limited this concludes this conference. Thank you all for joining. You may now disconnect your lines.