



Ref: KL/SEC/2022-23/61

Date: 1st August, 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

BSE Scrip Code: 532741

Sub: Submission of Q1 FY23 Earnings Conference Call Transcript

Dear Sir/Madam,

Pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and our earlier Letter No. Ref: KL/SEC/ 2022-23/57 dated 27th July, 2022, please find enclosed herewith Transcript of Earnings Conference Call held on 27th July, 2022, for the 1st quarter ended on 30th June, 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
Q1 FY23 Earnings Conference Call”**

July 27, 2022

KAMDHENU LIMITED, MANAGEMENT:

MR. SATISH AGARWAL – CHAIRMAN & MANAGING DIRECTOR

MR. HARISH AGARWAL – CHIEF FINANCIAL OFFICER



(Disclaimer: E&EO- This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 27th July, 2022 will prevail.)



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Moderator:

Ladies and Gentlemen, Good day and welcome to the Q1 FY23 Earnings Conference Call of Kamdhenu Limited. This conference call may contain forward looking statements about the Company which are based on belief, opinions, and expectations of the Company as on the 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 the conference call, please signal an operator by pressing '*' and then '0' on your touchtone phone. Please note that this 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 Relation Advisors. We have uploaded our Results and Investor Presentation for the quarter on the Stock Exchanges and Company's website. Hope everyone has a chance to go through the same.

Quarter 1 of the financial year 2023 started on a strong note. Our Company delivered robust performance despite high commodity prices. Domestic steel industry was impacted by falling global prices and imposition of 15% export duty on certain steel products. Export duty changed the consumer sentiment in India in anticipation of further fall in prices, buying reduce from the local user industry and eventually consumption fell.

Industry wide export also dropped by 26% due to the weaker global demand and its position of export duty.

There has been increase buying of TMT bars across Indian spot market like Chhattisgarh, Delhi NCR, Mumbai over the last few weeks. Prices are expected to remain stable or may move further up. Coal prices having remained firm which has in a way supported the segment. As per industry leaders the demand for auto industry, construction and infrastructure segments continues to remain strong and shall support the overall steel consumption during FY23.

Now coming to steel business:

Our Company has reported revenue growth of 70% year-on-year to Rs. 191 crore for Q1 FY23. This was on account of increased construction activities due to government push for infrastructure development. Focus on development of roads, railways, PM Aawas Yojana shall lead to demand creation for steel products. EBITDA grew by 7% to Rs. 15.4 crore during the



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quarter. We saw commodity inflation which has not been fully passed on. We will pass this cost in the coming quarters.

Our franchise volumes as well as volumes from our own facilities grew by 30% 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 vendor with TMT steel bar to be 4% lesser in weight and 20% stronger than other normal TMT steel bars.

Our premium product Kamdhenu PAS 10,000 TMT has unique feature of double risk, double strength, double safety, making it unmatched strong and more suitable for highly seismic zone and high-rise constructions. Our differentiated business model based on resource light cost structure with our own capacity and capacity of franchise has been favorable for our Company to scale up efficiently. It has benefitted us to maximize the returns with minimal investment. Our Company is known for consistently delivering superior quality across product range, in addition to vast product range our international certifications across various product categories are a testimony of the standards we offer.

Going ahead, we are focused on increasing our annual capacity through franchise root from 38 lakh metric tons to 50 lakh metric tons over a period of two years. As you are all aware that our Company was in the process of demerger of paint business into separate legal entity. We are pleased to inform that the Honorable NCLT while its order dated 3rd June 22 has approved the scheme of arrangement including the demerger of the paints business of the Company into a separate legal entity. The scheme of arrangement has become effective on 18th July 22 upon filing of NCLT order with registrar of companies Delhi and Haryana. Pursuant to the scheme of arrangement became effective the paint business of Kamdhenu Limited have been transferred to vested with Kamdhenu Colour and Coatings Limited with effect from 1st April 2022 being the appointed date.

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 business and thereby create a platform to pursue next level of growth. In lieu of the demerger of the paint business from Kamdhenu Limited its shareholders shall get equal number of equity shares in mirror image of Rs. 5 each to be issued by Kamdhenu Ventures Limited a 100% holding Company of Kamdhenu Colour and Coatings Limited. The allotment and listing related formalities are in process. The paint business demonstrated robust performance with revenue growth of 65% year-on-year to Rs. 54.7 crore also with our focus on increasing the premiumization of portfolio our volumes increase dfrom own manufacturing and we reduce manufacturing of product from contract manufacturers.



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78% of our paint revenue are water-based and we plan to increase the share of premium texture paints where margins are higher. We are consistently developing environment friendly products as a step towards environment, stewardship. Our endeavor is to penetrate further into existing markets, explore new markets and expand the dealer network in Tier-3 and Tier-4 cities.

To conclude, our Company holds the strong market share in the organized retail segment of steel and renowned brand names in paints. Our Pan India presence with 8,000 plus steel dealers and 4,000 plus paint 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 revolution with the scheme of arrangement being effective. We are well set on the path to achieve 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 sir. I will take you all through the financials for Q1 FY23:

Our steel volume including franchise root have stood at 7.54 lakh metric ton in Q1 FY23 as compared to 5.80 lakh metric ton in Q1 FY22 a year-on-year growth of 30%. Our TMT volume from own manufacturing stood at 24,429 MT in Q1 FY23 as compared to 16,917 MT in Q1 FY22 a year-on-year growth of 44%. Total brand turnover for Q1 FY23 stood at Rs. 5,309 crore as compared to 3,485 crore in Q1 FY22, a growth of 52% year-on-year basis. Royalty income through franchise stood at Rs. 27.6 crore in Q1 FY23 as compared to Rs. 21.50 crore in Q1 FY22 a growth of 28% year-on-year. Revenue from own facility was up by 73% to 152.60 crore in Q1 FY23 as compared to Rs. 88 crore in Q1 FY22.

Total sales from steels business stood at Rs. 191.20 crore for Q1 FY23 as compared to Rs. 112.70 crore in Q1 FY22 a strong growth of 70% year-on-year basis. Our EBITDA stood at Rs. 15.40 crore in Q1 FY23 as compared to 14.4 crore in Q1 FY22 a growth of 7% year-on-year. Our EBITDA margin for the quarter stood at Rs. 8.10%. Profit before tax stood at 13.50 crore for Q1 FY23 as against 13.3 crore in Q1 FY22. Pursuant to the scheme of arrangement became effective the paint business that is demerged business of Kamdhenu Limited has been transferred to and vested with Kamdhenu Colour and Coatings Limited with effect from 1st April 2022 being the appointed date.

Therefore, the Company has not disclosed the consolidated financials with effect from 1st April, 2022 onwards.. I shall now take through the financials of the paint business. Total sales from paint business for Q1 FY23 stood at Rs. 54.7 crore as compared to 33.1 crore in Q1 FY22 achieved growth of 65% year-on-year basis. Our overall volume from own manufacturing and outsourcing stood at 7,082 KL in Q1 FY23 as compared to 5,092 KL for Q1 FY22, a year-on-year growth of 39%. EBITDA for Q1 FY23 stood at minus 1.20 crore as compared to Rs. minus



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2.8 crore in Q1 FY22. Our profit before tax was minus 3.8 crore as compared to -5.8 crore in Q1 FY22.

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

Moderator: Thank you. Ladies and gentlemen we will now begin with the question-and-answer session. The first question is from the line of Ashay Jain from Jain Capital. Please go ahead.

Ashay Jain: Sir I have few questions firstly sir I was looking at that our royalty income has grew by 28% on a year-on-year basis, so could you tell the amount of royalty Company is charging per tonne and does the Company have any plans to increase the royalty income going forward?

Harish Agarwal: In fact, we are trying to increase the volume rather than increasing the rate of per tonne. So, our main focus is on the increase of volume. In fact, we have agreement for three-year, five year with the franchise unit and at the time of renewal we definitely try to increase the rate by Rs. 25 or Rs. 50 per metric tonne. So, it is not practically possible to increase every quarter.

Ashay Jain: Sir my next question is on steel capacity so the Company has plans to increase TMT steel capacity through franchise root and we have also identified franchise unit in Telangana. So where we intend to increase the capacity by around 25%, so any update or progress on that front and as the Company found any other region apart from Telangana where the capacity can be increased for franchise?

Harish Agarwal: Yes you have rightly pointed out that we are increasing our capacity by 25% in next two years and the present capacity is 38 lakh metric tonne which will be increased to 50 lakh metric tonne through the franchise root and our main focus is on increasing the capacity not by increasing the number of franchise. Therefore, what we are doing, we are increasing the capacity of our adjusting franchise unit itself. So, we are giving first opportunity to the existing units if they are not able to increase their capacity due to certain their own issues then we will find for the new, but in the past one year we have also increase from 33 lakh to 38 lakh metric ton and these are increased through the existing franchise only and we are hopeful that the existing units are quite capable of doing the enhancement of their production capacity.

Ashay Jain: Lastly continuing on the franchise root so the franchise volumes have increased by 30% on a YoY basis, so could you throw some light on from which regions the sales have increased and what is the amount incurred by franchise units towards the ad spent, the advertising spent?

Harish Agarwal: In fact, our total sales volume come from across India, but if you see the East and North our overall revenue 60% come from East and North and 40% from the South and West. Almost East and North is equally you can say 30-30, but if you compare with the South and West then it would be 25% from West and 15% from the South. So, this is the broad breakup of the revenue

which are coming and so far as increase and it is increasing from each region not in a particular any reason that is increasing that is overall increase in all regions.

Moderator: Thank you. The next question is from the line of Atul Kothari from Progwealth Securities. Please go ahead.

Atul Kothari: Sir I have got few questions as far as steel business is concerned so sir in a steel business revenues from our own facilities were up by 73% on year-on-year basis, so was this growth driven by volumes or was it on account of higher realizations?

Harish Agarwal: It is both. In the Q1 of FY22 we were having the production of around 16,000 and this time we have 24,000 and at the same time the price was 52,000 the average price in Q1 FY22 and this time it was Rs. 62,000. So, it is on account of both increase in the volume and increase in the selling price.

Atul Kothari: And sir what is your view on the demand trend going ahead?

Harish Agarwal: Demand is increasing day by day because there are construction activities, there are government project which are going on. So, we are seeing good demand in the market. ‘

Atul Kothari: Secondly sir our Company has realigned the capacity of steel manufacturing facility to 1,20,000 metric tonnes per annum, so what has been undertaken by the Company for product development and innovation of products?

Harish Agarwal: Yes, this is a continuous process which we are doing. In fact we are using our plant as a R & D center as well as a training center of the employees which we depute in the franchise unit. In each and every unit we depute two person, one for the quality monitoring and other for the operational issues for dispatch monitoring, coordination with the market. So, all these training work needs to be happened in our factory. So, that is why we have realigned otherwise we can produce 1,56,000 from our one factory. If we compromise on the training and the R & D one.

Atul Kothari: And sir has there been any new products launched lately by us?

Harish Agarwal: Yes, we are working on that, but it is early stage to say that where we are going to launch, but we are working on that.

Atul Kothari: And sir my last query is regarding the branding and the promotion expenses for the steel business, sir what was the promotion expense for the steel business in Q1 FY23?

Harish Agarwal: We have spent around Rs.14 crore, Rs. 9 crore by the franchise unit and Rs. 5. crore from Kamdhenu and overall 14 crore we spent on the steel business.

- Atul Kothari:** And sir what is the target for the entire year as a percentage of sales?
- Harish Agarwal:** This year we are trying to make royalty of around Rs. 110 crore. In this quarter we achieve 27 crore.
- Atul Kothari:** Sir I wanted to ask you what would be the branding expense for the entire year for our steel business in FY23?
- Harish Agarwal:** We are working on that because we have to change the model of branding in this year in the past two years there was lot of change in the trend because of the COVID so we are working on that and there are certain model which we have to start the foreign tours and also the Bollywood night so we are working on that. So, right now it is not possible for me to give the figure exact figure on the branding expenditure, but we are working. We are aggressively doing on the branding work.
- Moderator:** Thank you. The next question is from the line of Yash Sachdeva from Finterest capital. Please go ahead.
- Yash Sachdeva:** So, sir I had basically two questions that you talked about the inflation and the commodity prices, so what measures or arrangement have been done by the Company for the control of our pricings relating to this and secondly you talked about price hikes which you are looking to pass on to the customers, so what would be the range of that, just wanted an idea on that?
- Harish Agarwal:** You are talking about the steel business only.
- Yash Sachdeva:** Yes sir steel business.
- Harish Agarwal:** In fact, we are into the secondary market where we buy raw material as Ingot and billet from the market and re roll in our plant or our franchise plant and sell in the markets. So, there is no big impact of the price hike because in the same proportion raw material price increase, finished product price increase, finished product price decrease, raw material price decrease. So, there is only impact on the stock lying in the factory. So, the cost inflation and deflation will affect the primary producer first and realization.
- Yash Sachdeva:** And sir regarding the second question what is the range of price hike that we are looking to pass on?
- Harish Agarwal:** The entire price hike is pass on to the ultimate customer except local market fluctuation. Most of the price increase is passed on to the ultimate consumer.
- Yash Sachdeva:** So, could you please quantify that price hike like what would be the range?

- Harish Agarwal:** In fact, it was Rs. 10,000 from Q1 FY22 to Q1 FY23. It was a price hike of Rs. 10,000. The average price of Q1 FY22 was 52,000 and in this quarter it was Rs. 62,000, but in the present price are Rs. 1,000 plus minus is going on in the month of July.
- Moderator:** Thank you. The next question is from the line of Amogh Shah from Shreeram Securities. Please go ahead.
- Amogh Shah:** Sir can you tell me what are the current utilization levels that for steel and paint plant?
- Harish Agarwal:** In the steel we have around 80% capacity utilization of our plant.
- Amogh Shah:** And what about the paint plant?
- Harish Agarwal:** Paint plant we have around 40% utilization of our existing capacity.
- Amogh Shah:** Could you throw some light on the demand scenario for steel products?
- Harish Agarwal:** Yes, there is a demand in the market because there are government project which are going on, there are infrastructure projects and there are housing project also, Prime Minister Awas Yojana and at the rural areas there are organization from Kacha ghar to Pakka ghar so there is a demand in the market.
- Amogh Shah:** How have the price trended currently in the steel business; do you see any major softening in prices in the near term?
- Harish Agarwal:** No, there is no major difference, present rate is around Rs. 64,000 a metric tonne on the average of the all gauges. In fact prices there are price difference of 4,000 to 5,000 between the diameter. If you buy the 12 mm, if you buy the 8 mm, if you buy the 16 mm, but the average price is around 64,000 and some day it is Rs. 1,000 down and the other day it is Rs. 2,000 up it is just ranging around Rs. 64,000 to Rs. 65,000 a metric tonne.
- Moderator:** Thank you. The next question is from the line of Pankaj Jain from Mahavir Investment. Please go ahead.
- Pankaj Jain:** Since the scheme of arrangement has been signed the demerger of the paint business came into effect from 18th July, so when do we expect the Kamdhenu Ventures getting listed?
- Harish Agarwal:** We will file the application in the month of August and we are expecting to be listed it in the September or in October.
- Pankaj Jain:** And sir what would be the management structure and the shareholding of Kamdhenu Ventures?
- Harish Agarwal:** Post demerger it would be 59% promoters and 41% public.



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- Pankaj Jain:** And the management structure who will be running that business?
- Harish Agarwal:** Mr. Saurabh Agarwal will look after as a MD of the paint business and Mr. Sunil Agarwal would be the Non-Independent Chairman and Mr. Sachin Agarwal would be the Director. Out of four Promoter Director of Kamdhenu Limited, three will take care of paint business.
- Pankaj Jain:** And sir lastly with the paint business getting demerger and the Company is planning to achieve near about 1,000 crore revenue by FY26, so will we be looking at any strategic partner or private equity or any fund raise if you can throw some light on that end?
- Harish Agarwal:** Yes we are working on that.
- Pankaj Jain:** So, there would be some strategic investment or maybe fund raising which can won in near future?
- Harish Agarwal:** Yes.
- Moderator:** Thank you. The next question is from the line of Amit Shah from Age Securities. Please go ahead.
- Amit Shah:** Sir I have couple of questions sir firstly are you on track on achieving your stated branded revenue turnover of Rs. 22,000 crores by FY22 and royalty income of around 150 crores by FY24?
- Harish Agarwal:** Yes we are on track. You can say that in this quarter we achieved Rs. 5,300 crore turnover. So, if you multiply it by 4 then 20,000 we can achieve in 23 itself. So, we are on the track whatever we are projecting it will be definitely achieved.
- Amit Shah:** Sir and can you share any strategy to achieve that?
- Harish Agarwal:** You are already having the result and numbers then there is no specific strategy required. If we are targeting 22,000 crore turnover in 24 than in 23 we have already crossed 20,000 crore. So what kind of strategy you are looking for where our strategy is successful whatever we are doing.
- Amit Shah:** Sir my next question does the Company plan to appoint any brand ambassador for steel business for promotion of our TMT products?
- Harish Agarwal:** No, we have not such plan in fact we have that different strategy of branding our steel product. So, we are working on that. I have also answered few question there that we have the different strategy of branding so we are not looking for any celebrity to associate with our brand.
- Amit Shah:** So, are we planning to do any marketing campaign like other steel players Shyam Steel is doing?

Harish Agarwal: We have our own plan, we have ATL activity, BTL activities. Everyday there maybe any program either in Nukkad or in Five Star Hotel. So, we used to organize various events that maybe for architects, maybe engineer, maybe contractors, developers, builders, dealers, distributors. So, we used to organize various type of events and it happens on daily basis.

Amit Shah: And sir lastly in our presentation we have shown trading sales of around 11 crores in Q1 FY23, sir could you throw some lights on what as our Company has recouped strategy of reducing any B2B trading business?

Harish Agarwal: In fact in the past years we were doing this activity of the outsourcing of the steel product and selling from our stockyards, but last year we realigned our policy and reduce the B2B sales, but in some cases we are doing it and this amount is very less quantity which we are doing. In a month we are doing only 500 metric ton as against 8,000 of our own manufacturing. So, it is a compulsion in certain area which we are doing it otherwise this is not our focus area to make any trading of the TMT bar.

Moderator: Thank you. The next question is from the line of Kanika Kothari from Tradex Pvt Ltd. Please go ahead.

Kanika Kothari: My question is that in the paint business prices of raw materials have been on like they have shown an increasing trend, so do you think the Company has been able to pass through the price in the last quarter?

Harish Agarwal: Yes, we are trying to pass on the price inflation of raw material to the customer, but there is a limitation on our part because whenever Asian and Berger Paint increase their prices then we are able to increase our prices otherwise not, but in the last quarter there was a price hike of around 2% to 3% and we have also taken the similar price hike in our MRP prices.

Kanika Kothari: So, can you give an idea of what is going to be the trend going forward in the coming quarter?

Harish Agarwal: In the coming quarter we are not seeing any further increase in the raw material price except 1% or 2%. So, that will depend on the strategy of big players. If they are increasing their price then we will definitely increase the price otherwise not, but we are not seeing any much fluctuation of the raw material price as well as selling price.

Kanika Kothari: And sir next thing that I wanted to ask was can you please pass the comment on the demand scenario for paint business in Q1 FY23?

Harish Agarwal: Yes demand is increasing as compared to last year. Last year we sold around 5,000 KL and this year we are able to around 8,000 KL and in term of value we sold around 33 crore material in the Q1 last year and this year we have Rs. 54 crore so there is a demand, demand is increasing in this year.



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- Kanika Kothari:** And which regions are we looking to enter going forward?
- Harish Agarwal:** In fact, we have 33 sales depot across India and obviously East and North is better than the South and West.
- Moderator:** Thank you. Ladies and gentlemen that was the last question. I now hand the conference over to the management for their closing comments.
- Harish Agarwal:** Thank you. 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 strategic growth advisors, our investor relation advisors. Thank you once again.
- Moderator:** Thank you. Ladies and gentlemen on behalf of Kamdhenu Limited that concludes this conference call. We thank you for joining us and you may now disconnect your lines. Thank you.