



“Kamdhenu Limited Q3 & 9M FY21 Earnings
Conference Call”

February 05, 2021



**MANAGEMENT: MR. SATISH KUMAR AGARWAL – CHAIRMAN AND
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Moderator:

Ladies and Gentlemen, Good day and welcome to the Kamdhenu Limited Q3 & 9 M FY21 Earnings Conference Call. This conference call may contain forward looking statements about the company which are based on the 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 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 '*' and then '0' on your touchtone telephone. Please note that this conference is being recorded.

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

Satish Kumar Agarwal:

Good morning and a very warm welcome to everyone present on the call. Along with me I have Mr. Harish Agarwal – Chief Financial Officer and SGA our Investor Relation Advisors.

Before we proceed with the highlights for the quarter gone by, I hope you and your near ones are safe and healthy. I hope you have received our results and investor presentation by now. They are also available on our website. With the onset of the COVID-19 pandemic and subsequent nationwide lockdown that was announced in March 20, we had closed our paint manufacturing operations at Chopanki and steel manufacturing operations at Bhiwadi. Both located in Rajasthan. We had adopted a work from home policy. Safety and well-being of the employees was our top priority.

The company restarted its operation at both plants gradually since May 20 with the various phases of unlocking by the government with all the safety protocols at all offices and manufacturing units in terms of social distancing, sanitization, wearing of hand gloves and thermal temperature checking of all employees at factories and offices. Subsequently, we have started supply as per order booking and as per the available workforce.

Friends we are happy to report that with the gradual revival of the economy and unlocking of industry across India post COVID-19 disruption in Q1, we have seen a significant quarter-on-quarter improvement in volumes in both our business segment paint as well as steel. Our average capacity utilization has been gradually increasing through Q1 to Q3 FY21.

Now, to first touch upon the business highlights and performance of the paint business. Since we began our operations in 2008, we have rapidly scaled the business to emerge among big players in the decorative paint segment. A young and growing brand in paints, we have been successful in creating a better revenue profile over the years through aggressive but necessary investments to build a sustainable business model. With our increased concentration on Tier-2 and Tier-3 regions, we are currently present in 21 states and 33 sales depots across India. The

ever-growing penetration is the result of our strong distribution network, diversified product profile, marketing and branding effectiveness. We have built a formidable 4,000 + dealer network across multiple cities, regions and cultures. We have effectively made use of the best technological practices across various verticals of the business.

Our paint segment has clocked a revenue of Rs. 71 crore for Q3 FY21, up by 45% quarter-to-quarter from Rs. 49 crore in Q2 FY21 and is at the almost pre COVID level. The strong recovery was driven by robust volume growth of over 38% QoQ. Tier-2,3,4 cities continue to do well and even metros in Tier-1 cities are expected to bounce back both for decorative and other segments as well. Further, our sustainability-consciousness has enabled us to increase our share of premium and environment friendly products. We continue to focus on expanding our PAN India visibility through aggressive spend on advertising and promotions.

Since the fire incident that took place in April 2019, we worked quickly to outsource production of the paint products from third party manufacturers and assured the quality standards by deputing our own technical team at the manufacturer's plant. We simultaneously partially restored our own manufacturing operations within a short span. We are happy to report that the manufacturing operations at company's own paint factory has seen a strong uptake during the quarter. Phase-2 of the restoration of the remaining building, plant and machinery is expected to be completed by the end of this quarter and full fledged operations are expected to commence from Q1 of FY22 which will provide a further flip to our growth trajectory going forward.

We expect the rise in disposable income of the average middle-class urbanization, growing rural market, shortening of the painting cycle upgradation, increase in sale of premium and products and launch of many innovative products to be major drivers of growth in the years to come. Further, to update you on the insurance claim that has been pending receipt, the insurance company has admitted the claim and have already released a sum of Rs. 5 crore to Kamdhenu Limited. This ensures removal of the hurdle of claim acceptance on behalf of Insurance Company for the pending claim.

Now, I would like to update on scheme of arrangement. The board of directors of the company in its meeting held on 31st January 2020 approved the proposed scheme of arrangement subject to the requisite regulatory approvals. NSE and BSE wide their observation letter dated 28 September 20 have made their observation in the draft scheme. The company will be submitting the petition before the NCLT during Q4 of FY21.

Upon completion, the demerger of the paint business will impart better management focus, facilitate administrative convenience, and ensure optimum utilization of various resources. The proposed demerger will provide for greater accountability and scope for independent expansion of both steel and paint businesses.

Now moving on the key updates on the steel business. Post the re-opening of the economy we are slowly inching towards normalcy of operations with the easing of restrictions and on the back of our strong brand, resilient business model and well entrenched distribution network across the country. The steel segment has witnessed a robust volume growth of 11.6% QoQ and revenue growth of over 25% QoQ in Q3 FY21. Our recouped business strategy with focus on high margin B2C sales, asset light franchisees business and increase in own manufacturing is driving strong results.

We have been able to drive QoQ as well as YoY increase in our franchise as well as our own manufacturing volumes in Q3 FY21. Not only have all our franchise resumed operations, but also are increasing the production on ongoing basis. Total brand sales turnover is up by 28% YoY basis and 27% on QoQ basis in Q3 FY21 and this stood at Rs. 3,353 crores.

We have seen a sharp rebound in demand of the back of healthy rural consumption, strong sales in auto and white good sector and increased activity in construction sector. India's current rate of urbanization stands at only 34% as against a global average of 55%. Government schemes like housing for all by 2022, Pradhan Mantri Awas Yojana and Bharatmala Projects are likely to spruce up the demand for the construction material used in housing and infrastructure. This shall result in increasing demand for our product available across country through our franchise-based model. Recent announcement on production linked incentive scheme will boost manufacturing in India. Government's thrust on improving the infrastructure of the country and investment in project such as affordable housing, railways, metros, oil, and gas distribution pipeline projects would ensure growth for steel consumption.

We are constantly focused on involving and launching new products and expanding our market presence. We have recently launched our premium TMT brand Kamdhenu NXT in the market of Delhi and NCR. This is aligned with our overall strategy to enhance our market share in domestic TMT segments. We are focused on expanding our penetration into newer markets while consolidating our footprints in existing geographies.

We have been in the steel business for almost two and half decades and with stood several business cycle, testimony to the strength of our brand and efficacy of our business model. Our effective operations management and asset light franchise model give us a competitive edge over our peers. Going forward we are committed towards introducing new products and expanding our business with more franchise and dealers. We have set ourselves a target of reaching total Brand Revenue of 20,000 crores, expanding our franchise operations by reaching an overall capacity of 5 million metric ton per annum by FY22 and achieving a royalty target of Rs.110 crores by FY22.

In conclusion, I would like to say that Q3 FY21 has been a quarter of strong recovery. We have seen robust demand for our product offerings. Our objective is to stay ahead of the curve and be steadfast in our journey by adapting the changes, improving our proximity to customers and



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optimizing resources. Kamdhenu is committed to developing world class products to address the evolving needs of the consumer and setting a benchmark in affordability for technologically advanced products in the market.

Now I would like to hand over the line to Mr. Harish Kumar Agarwal to update on the financial performance of the company.

Harish Kumar Agarwal: Thank you sir. I will take you all through the financials for Q3 & 9M FY21. First about the paint business, total sales from paint business for Q3 FY21 stood at 71.2 crore as compared to 49.2 crore in Q2 FY21, which is an increase of 45% QoQ basis and stood at Rs. 75.4 crore for Q3 FY20. For 9M FY21 total sales stood at Rs. 157.9 crore. We expect the momentum in paint business to continue going forward.

The contribution of paint business in the overall revenue has been gradually increasing. Contribution from the paint segment has increased to 36.9% of revenue in Q3 FY21 as compared to 33.6% in Q2 FY21 and 29.5% in Q3 FY20.

Our own manufacturing volume have been increasing gradually. The overall volume including outsourcing have increased by 38% on QoQ basis to 8,701 KL in Q3 FY21 and stood at 9,432 KL in Q3 FY20.

Now coming to the steel business, our steel volume including franchise route have increased by 12% QoQ basis to 6.57 lakh metric ton in Q3 FY21 as compared to 5.89 lakh metric tonnes in Q2 FY21 and 6.25 lakh metric tonnes in Q3 FY20. For 9M FY21 our volume including franchise route stood at 16.64 lakh metric tonnes.

Total brand turnover for Q3 FY21 stood at Rs. 3,353 crore as compared to Rs. 2,645 crore in Q2 FY21 which is QoQ growth of 27% and stood at Rs. 2,612 crore in Q3 FY20. For 9M FY21 it stood at Rs. 7,970 crores. Royalty income through franchise was up by 15% QoQ basis at Rs. 23.5 crore as compared to Rs. 20.50 crores in Q2 FY21 and stood at Rs. 24.3 crore in Q3 FY20. For 9M FY21 it stood at Rs. 58.7 crores.

Revenue from own manufacturing was up by 29% YoY basis at Rs. 97.7 crore in Q3 FY21 as compared to Rs. 75.9 crore in Q2 FY21 and stood at Rs. 76.2 crore in Q3 FY20. For 9M FY21 it stood at Rs. 209.2 crores.

Profit before tax for the steel business stood at Rs. 13 crore for Q3 FY21 as compared to Rs. 9.4 crore in Q2 FY21, which is QoQ growth of 39% and stood at Rs. 9.9 crore excluding exceptional item in Q3 FY20. For 9M FY21 profit before tax stood at Rs. 30.2 crores.

For the overall business revenue for Q3 FY21 stood at Rs. 192.8 crores as compared to Rs. 146.4 crore in Q2 FY21. On QoQ basis growth is 32% and stood at Rs. 255.4 crores in Q3 FY20. For

9M FY21 our revenue stood at Rs. 427.3 crores. Our EBITDA was 53% higher QoQ basis to Rs.15.10 crore in Q3 FY21 as compared to Rs.9.87 crore in Q2 FY21 and stood at Rs.13.14 crore in Q3 FY20. EBITDA stood at Rs. 32.75 crores in 9M FY 21.

Profit after tax stood at Rs. 7.2 crore for Q3 FY21 as against Rs.2.5 crore in Q2 FY21, a QoQ growth of 186% and compared loss of Rs.13 crore in Q3 FY20 on account of exceptional items. For 9M FY21 profit after tax stood at Rs. 11.1 crore.

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

Moderator: Thank you very much sir. Ladies and gentlemen we will now begin the question and answer session. The first question is from the line of Kunal S from QRC Investments. Please go ahead.

Kunal S: So my question is basically broad based question on the industry. Sir what is your view on this increasing competitive intensity in the paint segment especially with the entry of Grasim right now?

Satish Kumar Agarwal: Paint industry in one way has got converted to FMCG sector. Secondly this is the only industry where there is 15% to 20% annual growth. Third thing is that if you will see since the GST has been introduced, unorganized sector has almost vanished, where unorganized sector had around 30% to 40% share of market. Now things are going in favour for the companies which are in the organized sector. Small industries at regional level or local level which make enamel paints, small distemper and putty are not able to compete with the quality & price and are slowly going out of market. That is why there is a very big opportunity in the paint sector for organized players along with that the government's push towards spends in infrastructure and housing sector will be an added advantage. It looks like in the coming time there would be 20% plus annual growth. In the coming three years we are seeing there to be around Rs. 1 lakh crore market in the paint business. So what will happen in the coming time is that there will not be much competition. Competition will be there in all the products, but the way the demand is expanding for everyone, there will be a good scope provided if the relations are good and Companies have good market network along with that if they have quality products. So we do not think there will be much competition. In every sector, the competition will be there of 1% to 2%, but the way demand is coming, the competition will not be a problem. In paint business as you must have seen one or two companies before also came and for Grasim also, it will take around four to five years to get settled.

Kunal S: Sir like you have raised the GST point, my second question is on that line, that after the introduction of GST there is so much discussion, organization market will grow and unorganized market will be out of the competition and stuff, so on ground have you seen any such activities where organized market share has increased very fast for you guys or I mean broad based perspective has this thing happened or not?

Satish Kumar Agarwal: See the small industries which are there usually does not pay tax. Tax portion was very large before comprising of VAT and excise duty and total tax portion used to come around 28%. Now under the GST regime, government has made it 18%. So in this tax regime there is not much margin. The big companies have slashed the prices of lower end product in the market because of that small unit viability is almost over. If anyone who wants to have distemper or putty of good brand and superior quality putty they want to take in that price only that is why we see every paint companies' revenue is getting increased and profitability is also increasing fortunately along with that.

In future, we see good demand in the paints segment and other players are also visualizing this, however, along with brand acceptance and product acceptance in market, retail network is also very important for this business. In this market, there are different variety of products which the consumer may want. There are different colours and different quality they may require in SKUs. There are many SKUs, packaging is ranging from half liter to 20 liter bucket. So the services to provide that supply chain and other requirements is also very important. This is not industrial product that one can buy in bulk or in wholesale. The services which the company is able to provide to people and set up of the new units are essential. In the previous 25 years no new unit has come. So it is very important to handle the material in the entire country and to provide those services one needs to have sufficient space in the plant to prepare. One needs to have good network of distribution to give services in every state. There are many such factors which will depend on this that who will go further.

Moderator: Thank you. The next question is from the line of Aniruddha Joshi from ICICI Securities. Please go ahead.

Aniruddha Joshi: Sir my question is that can you tell something more about paint business, in which state do we see more strong demand from and where is our market share is more? In water proofing and putty also you have launched many new products. So how much is the share of that? What is your view on tinting machine? What is your strategy there because tinting machine is very important in trade for success?

Satish Kumar Agarwal: We have been a steel company, but because Indigo has created a new line, new history has been written so I think that everyone is motivated about paint including myself. So we also think that the future is very good in paint business and this is very important that in paint the way we have grown from the first day, we can always leverage trustworthiness of Kamdhenu brand for our paint business as well, let me tell you broadly about our presence and in which area we are there, because I think in future also this question will come and our investors would also be interested in this. Like I said we have around 32 depots and around 4,000 dealers, Apart from that, big quantity painters also are associated with us. Just understand a bit strategically because our manufacturing facility which is there in North especially in Rajasthan so to transport from there to South, it is little bit unviable. So in today's date main business which is there that is in the North and in Jammu and Kashmir we are in very good position, we are present in UP,



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Uttaranchal, Himachal, Bengal and apart from that in Orissa, Bihar and MP good work is going on. We have good position in Gujarat and in Maharashtra we have presence in Nagpur and Pune. Also we have two depots in Nagpur & Pune. Apart from that we have one Depot in Bangalore & Hyderabad. In Andhra Pradesh as well we have one depot. Presently we do not have depot in Tamil Nadu and in Kerala also we do not have a presence. In Mumbai there are no retail sales, there are project sales more in Mumbai. We have not created our presence there in Mumbai. Right now, we are focusing more on Tier-2, Tier-3, Tier-4 cities because in metros and in big cities brand pull is more. So premium big established brand is there so customers go first for that. So like this way we are expanding ourselves and as on date the building renovation work of our paint factory is almost complete on our installed capacity and in this month, total complete machinery will get started.

In Bhiwadi, we have our own manufacturing unit. There we make our total high end products ranging from strainers, colorants, high end emulsion indoor and outdoor. Apart from that there are special primers which are there. Some distempers and some construction chemicals are there. We prepare that in our plant which is available in Bhiwadi, in Rajasthan. Annual capacity is around 30,000 KL. And 30,000 metric tonnes are getting prepared. The value of the product which we prepare that estimates to the sales value of around Rs. 450 crore. Apart from this we have outsource tie-ups in Udaipur, Noida and Punjab. Over there, powder based putty, distemper and low price items are getting prepared. Apart from that some enamel products are prepared which is used in outdoor enamels. Product powder capacity is around 12,000 tonnes and distemper and other product capacity is around 24,000 ton totaling to 36,000 tonnes capacity. Since this product is a low price item, the total sales volume of this product will be around Rs.150 crore. Till 31st March, we will have around Rs. 600 crore per annum capacity, it has been made. After the fire incidence, the supply chain which was disturbed has now got normal. In the current year, we see steady sales of around Rs. 225 crore. In FY 22 we have a plan to achieve around Rs.350 to Rs.400 crore sale. By FY 23, we plan to cross plus 500 crore, these projections we will have in hand and nearby two to three years our target is around Rs. 1,000 crore business, we will be able to do. I think this was broad that in manner we want to grow, installed capacity is there but it is compulsory that we increase our sales in South. We are looking out for one or more franchise unit. We are discussing with many people and we are also getting the offer that in South they are ready to prepare the material and supply us because we have lot of franchise throughout India for steel TMT bars. So many people are interested in there and they are interested in paint unit as well, so we think that the way we can increase our sales so we will not face difficulty in developing the unit.

Aniruddha Joshi:

Sir, by when will our paint subsidiary be separately listed? Can it happen in June/ July?

Satish Kumar Agarwal:

Almost all our clearances have come and most hopefully in this month itself we are going to file for the demerger in NCLT. It will take around three to four months in NCLT so we will take that much time and after NCLT approval our paint unit will come into a separate entity. After that



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we will have lot of options to grow further, we will have lot of opportunities and we will definitely try the numbers which I have said we will be able to multiply that and work on that.

Aniruddha Joshi: Under which brand name is the Kamdhenu paint brand been registered?

Satish Kumar Agarwal: I want to share that Kamdhenu has total of 44 brand class that is in Kamdhenu Limited company. Kamdhenu paint brand which is there that is in paint company we have allowed. Kamdhenu paint brand will get transferred to paint company.

Aniruddha Joshi: So in the coming time, we do not have to give any royalty?

Satish Kumar Agarwal: We will not have to bear any expenses. We want that the paint business grows independently and to get it multiplied.

Aniruddha Joshi: Sir with increase in the distribution because you will go to many more new states, the business is growing so fast so for that management bandwidth has to be increased and we have to hire people? We will have to invest in technology. So for investments. are we ready?

Satish Kumar Agarwal: Definitely to be in any particular segment, we have to provide the best products. In that R&D also, that much involvement is necessary like marketing and distribution is necessary. We have all the people who have come from the good companies company. In terms of manpower or R&D, people are there, also for marketing, people are there. I understand and for that company is continuously putting efforts and trying to bring more technology from outside, some special products or ecofriendly products. It is little bit difficult to comment on that now, but in the coming time we will able to talk about this in much detail.

Aniruddha Joshi: Last question from my side is that are you seeing any global tie ups like any big global companies who wants an entry in India and who wants to do joint venture or tie up with us for paints business? If they want us to do the branding or manufacture of their products, have you thought anything like that and or you wish to grow in that direction for Kamdhenu paint?

Satish Kumar Agarwal: Every option is opened and we want to grow like anything. We are willing to do anything either it is a global tie up or technology transfer or any other group in India who wants to come at many levels. These talks are there, but I think our mind is open that we have to multiply the paint business and we have to bring that at good level. Whatever we have learned in last 10 years, we can use that experience in developing the paint business. It might be that in the past we have not done well but now I think that the whole team is motivated. Future seems good and one more thing is that Indigo has brought this into limelight in the Paints area. So I think that we can see the potential for everyone. Earlier whenever we used to talk about peer, there were very big companies. With new players entering the industry, there will be limelight and we can also benefit from that situation and put our efforts towards growing our business.



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Moderator: Thank you. The next question is from the line of Saket Kapoor from Kapoor and Company. Please go ahead.

Saket Kapoor: First question is that is this a family driven business company or professionally managed? We have two main vertical TMT steel bar and paints, so what is your management bandwidth? Are you running professionally, or the decision is taken by the promoters?

Satish Kumar Agarwal: First thing I want to clarify is that from our family there are only four directors, all are engineering graduates, and everybody is looking after their independent vertical. Mr. Saurabh Agarwal looks after the paint vertical; Sunil ji looks after the franchise vertical and Sachin Agarwal who is MBA from UK, also engineering graduate looks after steel rolling mill division plus the whole marketing business. I have overall corporate communication work. Apart from that our independent directors are there, they are also highly professionals. Mr. Ramesh Jain he was CEO of Eicher Tractors, Mr. Surana who was the CEO of Hindustan Electrographite Jhunjhunwala Group is at our board, Mr. Doogar who is an esteemed Chartered Accountant Consultant, is at our board and Ms. Nishal Jain, a renowned HR professional who is with Rajdhani Group, her guidance and her support is also there. Apart from that we have professionals in paint and steel both businesses. All professionals have a good, rich experience of around 20 years to 25 years. They all head their respective verticals professionally. For R&D in paint production, we have people who have come from AkzoNobel, Berger or Asian Paint like Companies. It is nothing like that we are a family-owned company. We have all vertical of ERP in paint. So all these things we getting managed professionally and apart from that we have Statutory Auditors, Internal Auditors, Tax auditors and Secretarial Auditors to ensure compliance. So I think that all guidance is already there.

Saket Kapoor: Means in their decision and to do the business they have their own independent vertical and everybody has their own experience according to that they do their decision making?

Satish Kumar Agarwal: I just want to share one thing that in franchise business there is no interference, in paint there is no interference, roll mill I have no interference. The whole team is working collectively and there is no interference among themselves nobody is suggesting anyone, or nobody is doing any interference. Everyone has to deliver the result in three verticals. All of them have the responsibility to convert their work into results.

Saket Kapoor: Sir what is your role there?

Satish Kumar Agarwal: I have to see the whole company overall, the whole group work plus corporate communication work. Apart from that taxation and legal and many other issues are there. So overall we collectively work so that everyone works as a one team. Everybody puts their efforts in the Company and everybody works in one direction so that the company should grow in the coming time.

Saket Kapoor: So in steel division, is TMT is your only focus? You have given all your effort in that, so with single product dependency to what extent according to this risk mitigation policy is there, because in this you have only conversion work and vertical integration is not there? Sir what you do for backward integration and raw material variations so that company do not have to face any difficulty?

Satish Kumar Agarwal: Let me clarify that we have not only TMT products right now, but 44 units are there in the entire country which are franchise units. Apart from that you must have seen that a lot of structure steel comes like the structure angle, channel girders and apart from that round, hexagonal, square, rectangular hollow pipe are made. Gates, railings, grills in balcony are made from structural steel. Many such industrial use is there. Warehouses are made of hollow pipes, hollow pipes are made from structural steel. as of today, we have 14 units of structure steel and around 5 lakh ton capacity is there. Apart from that, warehouses and industrials require, color coated sheet, for that we have around 25 units and around 2,50,000 tonne annual capacity. So that way in steel leaving flat products like hot rolled coils, cold rolled coils or from that the consumer item which are there all that is there. In today's date regarding steel we have 1,50,000 tonne capacity of our own plant and the remaining three products around 38 lakh ton capacity is there in today's date which we in the coming time we will be able to reach to 50 lakh tonne capacity. Work is in progress and in many unit expansion capex going on and new unit installation work is also going on. In future we have seen the steel requirement especially with Pradhan Mantri Awas Yojana, housing for all or affordable housing already there. With many such schemes we are preparing ourselves it is not like we are focused only on TMT.

Saket Kapoor: Sir, do you have to depend on steel market and pass on work will be there, like the way steel prices goes up and down in Haryana and NCR coil or in plates, for you it is like conversion product ?

Satish Kumar Agarwal: The franchise model which is there maybe you do not know about the details. In franchise we do only quality control, the whole marketing network is in our hand plus marketing team we have to look after marketing of all the units. We permit the brand use through discipline. So what happens in that every franchise they purchase their own material. Our marketing team places the order and they directly through our marketing channel feed the market. Company just gets royalty, plus the premium which gets developed that franchise plus distributor plus retailer gets distributed among the three so it is in win-win situation for all. The prices variation is there, you rightly said, we get only conversion in TMT. Structural steel and colour coated sheet. In raw material the way price increases, finished product price also get increased. When the finished goods price declines, prices of raw material declines both these things are interlinked. Sometimes some units have stock profits or the prices are increased in that case some margins get increased.

Moderator: Thank you. We move to the next line from the line of Mukul Agarwal from Param Capital. Please go ahead.

- Mukul Agarwal:** No doubt you have built a very good brand, and it is a unique model and keeping that in mind of the model, we are invested in this, so we think that time has come that we can do big profits like top line is growing as you have said branded sales of Rs.12,000 crore top line and you are talking about 18,000 crore top line, so when can company see the big profit means if we exclude the paint division, royalty money which we get and we do not see that in the bottom line because? . So in the coming year can we do Rs.100 crore profit after tax and if we can do, then that in how many years we can do?
- Satish Kumar Agarwal:** This is your very big valid question and as investors this is your priority and this is our requirement. With respect to that, I want to say is that to build the paint business in previous one or two years whatever investment we have done in paint that is a different issue and in steel we are in safe position. After the hive off, we will have franchise business and will have our own manufacturing in steel business. I want to say to everyone that today I am going to talk very conservative and we will talk of that which we can deliver at 100% and even more than that. We have done little bit of working for next year FY 22 and FY 23 but it rough working, so you must understand that in steel our EBITDA margin for FY2022 we are expecting around Rs. 55 to Rs. 60 crore and for the year FY22-FY23 for the steel business, we expect around Rs. 90 crore EBITDA margin. We expect to achieve royalty of Rs.106 to Rs.110 crores by FY 22 and Rs.150 crore by FY 23. so according to that PAT by March 2022 to be around Rs. 35 crore and Rs.58 to Rs. 60 crore in March 2023. We are expecting and we think that we can do better than this
- Mukul Agarwal:** If we estimate Rs.100 crore in FY24 or FY25, will we be able to reach?
- Satish Kumar Agarwal:** By FY 24 we will be able to reach depending on how the demand situation is there and if the required demand is there we will do that before also. But by FY 25, we can definitely think about Rs.100 crore.
- Mukul Agarwal:** Secondly if we talk of paint, by which year can the breakeven happen for the paint business independently?
- Satish Kumar Agarwal:** The next quarter Q4 FY 21, we are hoping to be in 4% to 5% plus. In this year we will be able to do Rs. 225 crore business only because of COVID. Next year we are expecting that minimum 50% growth and Rs.350 crore to Rs. 400 crore of sales would be there and in that 5% margin minimum and the as we scale up our business, our margins would get increased. So profit before tax next year we are assuming 5% and in FY 2023 when we will do Rs. 500 crore sale in paint that time we are assuming that our EBITDA margin in paint to be ~10% . During COVID period the work was reduced in big cities, however in small town there was more work during COVID period. But every product was sold at low price. Low price product margins are little less, but volumes are more. But in market we cannot leave that also if customers are asking and shopkeeper requires the product because such material is available with every company.

- Mukul Agarwal:** Sir by FY 23 for the steel business, can we do PAT of Rs. 55 to Rs.60 crore and in paint business of Rs. 20 crore?
- Satish Kumar Agarwal:** ~ Rs.20 to Rs.25 crores.
- Mukul Agarwal:** Sir after the demerger, how much will be our debt for the steel business of the company?
- Satish Kumar Agarwal:** In steel business, there is nothing like debt. Only working capital limits of ~ Rs. 65 crore is there and in that around Rs.30 crore we have repaid, and Rs.35 crore is pending. Slowly and gradually we are completing our repayment. I feel that within one year it will be zero in steel.
- Mukul Agarwal:** In paint business, how much debt will be there?
- Satish Kumar Agarwal:** In paint business, we have around Rs. 60 crore debt which is also working capital.
- Mukul Agarwal:** By FY 22, would steel be debt free and in paint, debt including working capital which is remaining will be that only be there?
- Satish Kumar Agarwal:** In Steel, debt can be reduced before also, and it is possible that it might be repaid in next 6 months, it depends if we have any CAPEX requirements or note so ultimately we will do this repayment and make everyone free.
- Moderator:** Thank you. The next question is from the line of Ashok Nair an Individual Investor. Please go ahead.
- Ashok Nair:** Sir I joined late, I just wanted to know about the scheme of arrangement. You have mentioned different companies are there, so are there any chances that it will take place from 1st of April or how is it sir?
- Harish Kumar Agarwal:** We are going to file the scheme of arrangement before NCLT in this quarter itself. So probably it will take approval time of three to four months.
- Ashok Nair:** But how it will be like for the shareholders, how will the shares be split or how is it? What are the shareholders going to benefit out of it?
- Harish Kumar Agarwal:** That has been given in the scheme that 1:1 ratio is there. We have given in the scheme of arrangement that one shareholder of the Kamdhenu Limited will get the one share of Kamdhenu Paint.
- Ashok Nair:** Are we demerging to two companies that is Kamdhenu Ispat and Kamdhenu Paints? Is that how it is?



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- Harish Kumar Agarwal:** No, it is not like that. There is a company Kamdhenu Limited having two businesses steel and paint. We are demerging paint business from Kamdhenu Limited to Kamdhenu Color Coatings Limited. So the remaining business of steel will remain in the Kamdhenu Limited.
- Ashok Nair:** So there will be two companies one is paint and one is steel, so both will be listed separately?
- Harish Kumar Agarwal:** Yes, both companies will be listed after demerger process.
- Ashok Nair:** So what is the date of demerger?
- Harish Kumar Agarwal:** It will depend on the procedure and regulatory authorities. So what we have in our hand is to file the scheme of arrangement before NCLT thereafter they will make the hearing and pass the order.
- Ashok Nair:** Demerger will happen, is that 100% sure?
- Harish Kumar Agarwal:** Yes, we have also got the approval from NSE & BSE and SEBI for the scheme of arrangement.
- Ashok Nair:** So equivalently your capital will get reduced like now around 24 crore is your capital, it will get reduce accordingly right?
- Harish Kumar Agarwal:** Yes.
- Moderator:** Thank you. The next question is from the line of Kashish Shambhwan from Negen Capital. Please go ahead.
- Kashish Shambhwan:** We got the NSE and BSE approval in the month of September, then why is it taking so long for us to file it in NCLT? Because usually like one can file it in next two to three weeks once we get the exchange approval?
- Harish Kumar Agarwal:** No, it is a 6-month time to file the scheme after getting the approval and it was delayed because of shifting of registered office of the various companies. So, there was delay at the RD level. RD were on leave due to COVID and it was not delayed at our end. But because the government officials were not available for completing the formalities towards the shifting of registered office of all companies at one place so that we can file petition only at one NCLT. Otherwise we would have to file applications at various NCLT offices where the registered office for the respective companies are there.
- Kashish Shambhwan:** So now will it be like we will file in NCLT and then equity shareholder meetings and then NCLT approval and the standard procedure which happens?
- Harish Kumar Agarwal:** Yes, now all the hurdles have been removed for shifting of registered office. Now all our registered offices are in Gurgaon.



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Kashish Shambhwan: Second question is which company will be listed, will it be Kamdhenu Ventures or Kamdhenu Colors?

Harish Kumar Agarwal: Paint business of Kamdhenu Limited will be transferred to the Kamdhenu Color Coatings Limited and it would be the 100% subsidiary of Kamdhenu Venture Limited and Kamdhenu Venture Limited will be listed.

Kashish Shambhwan: So Kamdhenu Venture will just be the holding company of the paint company you are saying?

Harish Kumar Agarwal: Yes 100% holding company.

Kashish Shambhwan: Why are we not just directly listing, why are we going it through a subsidiary route?

Harish Kumar Agarwal: Yeah, because it has been advised by E&Y to get the funds before listing or before getting listing of the shares. So, if there is a private equity they would be interested in giving the funds in the unlisted company.

Kashish Shambhwan: My last question is on the paint business. What is the margin differential between our own production and outsource products?

Harish Kumar Agarwal: There is no such gap between margins because our manufacturing product is a different product and the products we are getting outsourced are different products. So all are the different categories of the product.

Kashish Shambhwan: So EBITDA margin which you have guided is blended correct?

Harish Kumar Agarwal: Yes.

Moderator: Thank you. Ladies and gentlemen this was the last question for today. I now hand the conference over to the management for their closing comments.

Harish Kumar Agarwal: I take this opportunity to thank you everyone for joining on the call. I hope we have been able to address all your queries for any further information kindly get in touch with me or our SGA our Investor Relation Advisor. Thank you once again.

Moderator: Thank you members of the management. Ladies and gentlemen with this we conclude today's conference call. Thank you for joining us and you may now disconnect your lines.