



“Kamdhenu Limited  
Q1 FY24 Earnings Conference Call”  
August 03, 2023

**MANAGEMENT:**

Mr. Satish Kumar Agarwal – Chairman & Managing Director, Kamdhenu Limited

Mr. Harish Agarwal – Group Chief Financial Officer, Kamdhenu Limited

Mr. Saurabh Agarwal – Managing Director – Kamdhenu Ventures Limited



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**Moderator:** Ladies and gentlemen, good day, and welcome to the Q1 FY '24 Earnings Conference Call of Kamdhenu Limited. This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions and expectations of the company as on 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 call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

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

**Satish Kumar Agarwal:** Good afternoon, and a very warm welcome to everyone present on the call. Along with me, I have Mr. Harish Agarwal, Group CFO; Mr. Saurabh Agarwal, MD of Kamdhenu Ventures Limited and SGA, our Investor Relations Advisors.

We have uploaded our results and investor presentation for the quarter on the stock exchanges and company's website. I hope everyone had a chance to go through the same. We have delivered a strong performance in Q1 FY '24 in both the steel and paint business.

Coming to our steel business first, that is Kamdhenu Limited, we have delivered a strong performance in Q1 FY '24. Revenue grew by 9% year-on-year to INR209 crores and PAT grew by 20% year-on-year to INR12 crores. Our total brand sales turnover has increased by 15% year-on-year to INR6,131 crores and franchisee volume growing 12% year-on-year for this quarter. Revenue from royalty income has gone up by 16% to INR32 crores for Q1 FY '24.

Over the course of the past few decades, the Indian steel industry has experienced remarkable growth and undergone significant transformation, positioning itself as a pivotal force driving the company's economic advancement. This journey of progress has been propelled by a myriad of contributing factors, including robust infrastructure development, the relentless march of urbanization, rapid industrialization and the surge in demand emanating from diverse sectors such as construction, automotive and manufacturing.

The potential for further expansion and development within the Indian steel sector is abundant. With the support of the government and unwavering focus on fostering innovation and active strategic investment, the Indian steel industry can successfully surmount any challenges that may lie ahead and continue its upward trajectory of prosperity and progress.

As part of this transformative journey, the consumption of TMT bars, a crucial component of the construction and manufacturing sectors, is anticipated to witness a notable upswing. The driving force behind this projected surge lies in the government's steadfast commitment to investing significantly in infrastructure development and bolstering the manufacturing landscape. These ambitious investments spread over the long term are set to create a conducive environment for substantial growth in TMT bars.

As a prominent player within the organized retail segment of the steel industry, we assert our position of holding a dominant market share. Our success is rooted in a combination of factors that have set up, apart from the competition, and positioned us for continued prosperity in the future. One of the key pillars of our trump is our robust and distinguished brand presence, which has become synonymous with quality, reliability, and innovation. Through dedicated effort and strategic branding initiatives, we have cultivated a strong and large customer base, instilling confidence in our products and services.

Furthermore, our exceptional marketing strategies have played a pivotal role in bolstering our market position. By employing cutting-edge techniques and staying astute of evolving consumer preference, we have effectively communicated our value proposition to a wide audience, amplifying our reach and resonance. In conjunction with our brand and marketing powers, our extensive and well-established distribution network has been a driving force behind our continued growth. By forging a strong partnership with retailers and other key stakeholders, we have ensured that our products are readily accessible to consumers across diverse geographics, reinforcing our market dominance.

A distinguishing aspect of our business model is that sets up apart in our unique asset light approach. While optimizing our operational efficiency and leveraging external resources where appropriate, we have managed to maintain agility and adaptability, positioning ourselves to swiftly seize emerging opportunities and navigate industry fluctuations. Our continuous commitment to innovation and customer centricity forms the backbone of our vision for the future. As market dynamics evolve and new prospects arise, we are confident in our ability to proactively embrace change, staying at the forefront of the industry and capitalizing our untapped potential.

To conclude, we have a dominant market share, a formidable brand, a dynamic marketing and distribution network, and the distinctive asset-light model, which positions us as a formidable force in the organized retail segment of the steel industry. We are trying to embrace any opportunities that the future holds and continue our journey of success and growth in the ever-evolving landscape of the steel market.

With this, I now hand over the call to Mr. Saurabh Agarwal for his views on our paint business. Thank you.

**Saurabh Agarwal:**

Good afternoon, and a warm welcome to everyone present on the call. Coming to Kamdhenu Ventures Limited, which is our paint business. In Q1 FY '24, we have seen a turnaround in the paint business. Revenues grew by 13% Y-o-Y to INR62 crores. EBITDA stood at INR4 crores as compared to minus INR1.2 crores last year. This is due to better product mix, reduction in raw material prices and improved efficiency.

Our PAT has also turned positive to INR2.2 crores for the quarter. The Board of Directors of the company have approved the allotment of fully paid-up bonus equity shares of INR5 each to the shareholder of the company in the proportion of 1:1 in the Board meeting held on 2 August 2023.

Kamdhenu Ventures recently raised funds amounting to INR65.25 crores through preferential issuance of qualified institutional buyers. This fundraising endeavour serves the crucial purpose of injecting capital into Kamdhenu Colours and Coatings Limited, our wholly owned subsidiary. A significant portion of the raised funds will be strategically allocated to meet various requirements within Kamdhenu Colour and Coatings Limited.

Indian paint industry is almost entirely dependent on sectors like real estate, automobile and infrastructure. The three of these sectors have shown a consistent growth in the recent past, even after being hit by pandemic and are expected to grow at much faster pace. The Indian paint industry being dependent on these sectors is surely to catch up to their pace and grow on the same graph chart in the near future.

The escalating need for paints in India has resulted in a fiercely competitive market. The companies are employing diverse tactics to expand their market presence. In response to this demand, the Indian paint industry has increasingly focused on eco-friendly and sustainable offering, witnessing a surge in the demand for premium and superior quality paints.

Moreover, there is growing inclination towards decorative and textured paints, all of which will play pivotal role in shaping the future landscape of the Indian paint industry. The paint industry comprises a wide array of products and is projected to achieve a CAGR of 10% over the next 5 years, reaching a value of INR1 lakh crores by FY '28. Our company is a dynamic and forward-looking company and is dedicated to achieving sustained growth, making astute use of existing opportunities and firmly position itself as a forerunner in the years to come.

With a strong commitment to excellence, the company is driven to outperform the industry's performance propelled by its unwavering ambition and strategic vision. Looking ahead, Kamdhenu Ventures has a vision of achieving revenues of around INR1,000 crores by FY '28. This reflects the company's confidence in its capabilities and its unwavering determination to flourish in a competitive market landscape.

The company has been pursuing strategic initiatives aimed at fortifying its market position as a key player in the paint industry. The company's proactive approach to identifying emerging trends and consumer preference enables it to innovate and adapt its product offerings, staying ahead of the curve and meeting evolving market demand. We also place a strong emphasis on the eco-friendly and sustainable practices, aligning themselves with a growing global awareness of environmental responsibility. The company has strategic planning of foreign partnerships with numerous new dealers across India.

Augmenting its production capabilities by adding new plants, tapping under-penetrated market, premiumization of product portfolio through the launch of innovative products, and expanding into new segments and gaining nationwide visibility. Altogether, Kamdhenu Paints has envisioned itself to become the preferred choice of customers. Fuelled by a team of dedicated professionals, guided by visionary leadership, and bolstered by strategic partnerships,

Kamdhenu Ventures is on the steadfast trajectory towards becoming a prominent company in the paint business.

With this, I will hand over the call to the Group CFO, Mr. Harish Agarwal, to discuss the financial performance of both the companies. Thank you all.

**Harish Agarwal:**

Thank you, sir. I will take you all through the financials for Kamdhenu Limited that is the steel business for Q1 FY '24. Our steel volume from franchisee route has stood at 8.17 lakh metric tons in Q1 FY '24 as compared to 7.3 lakh metric tons in Q1 FY '23, an year-on-year growth of 12%. Our TMT volume from own facility stood at 32,093 metric tons in Q1 FY '24, registering a growth of 31% year-on-year. Total brand sales turnover for Q1 FY '24 stood at INR6,131 crores, as compared to INR5,309 crores in Q1 FY '23, a growth of 15% year-on-year.

Royalty income through franchisee stood at INR32 crores in Q1 FY '24 as compared to INR27.6 crores in Q1 FY '23, a growth of 16% year-on-year. Revenue from own facilities stood at INR176.2 crores in Q1 FY '24 as compared to INR152.6 crores in Q1 FY '23, registering a growth of 15% year-on-year. Total revenue stood at INR208.6 crores in Q1 FY '24, registering a growth of 9% year-on-year.

Our EBITDA stood at INR15.7 crores in Q1 FY '24 as compared to INR15.4 crores in Q1 FY '23, a growth of 2% year-on-year. Profit before tax stood at INR16.2 crores in Q1 FY '24 as compared to INR13.5 crores in Q1 FY '23, a growth of 20% year-on-year. Profit after tax stood at INR12.1 crores for Q1 FY '24 as compared to INR10 crores in Q1 FY '23, a growth of 20% year-on-year.

Let us go through the numbers of Kamdhenu Ventures Limited now. Kamdhenu Ventures reported a strong performance and Q1 FY '24 has been a turnaround quarter. Revenue for the quarter stood at INR61.7 crores as compared to INR54.7 crores in Q1 FY '23, a growth of 13% year-on-year. EBITDA stood at INR4 crores as compared to minus INR1.2 crores last year. This is due to better product mix, reduction in raw material prices and improved efficiency.

Our PAT has also turned positive to INR2.2 crores for the quarter. Average selling price per kg/litre for Q1 FY '24 increased by 16% to INR87 from INR75 in Q1 FY '23. With this, I would like to open the floor for questions and answers.

**Moderator:**

Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Darshil Pandya from Finterest Capital.

**Darshil Pandya:**

Congratulations on a good set of numbers for turning PAT positive. A couple of questions for you. First on the marketing spend, can you give us a guidance on what has the management decided to spend for this year as a percentage of revenue?

**Harish Agarwal:**

In the Q1 FY '24, on Kamdhenu brand, we spent around INR14 crores.

**Darshil Pandya:**

No, sir. I'm talking about the Kamdhenu Paint business.

- Harish Agarwal:** Okay. Okay. You mean to say the business plan for the financial year '24?
- Darshil Pandya:** Yes. And what was the percentage of marketing for this quarter, Q1 FY '24?
- Harish Agarwal:** You mean to say marketing expenditure?
- Darshil Pandya:** Yes, sir. Marketing and advertising.
- Harish Agarwal:** Okay. We are planning to achieve the sales turnover of around INR325 crores in this financial year, FY '24, and the expenditure on the branding and marketing would be around INR50 crores, including all schemes and everything.
- Darshil Pandya:** Perfect. And siron the last call, you said that you are also evaluating some locations in South to penetrate the South region. Any decisions on that?
- Harish Agarwal:** Yes. We have the sales locations in South, that is Vijayawada and Kunur and also Bangalore. So, we have 3, 4 depots in the South, and we are nurturing the depots to a particular level.
- Darshil Pandya:** Okay. And on the EBITDA side, sir, as the presentation says that you are sceptical -- you are ready to achieve around 8% by FY '25. For this quarter, it ended at 6.8%. So, is the company on track to achieve that EBITDA level?
- Harish Agarwal:** Yes. You have seen the number of Q1 '24 that there is a turnaround from red to black. So, we are confident to achieve the EBITDA of 8% in this financial year itself.
- Darshil Pandya:** Okay. And sir, regarding the fundraising, which was done. So where has the management decided to invest the funds and does the management tend to expand any capacities? Or what's the plan going forward for this fiscal -- next coming year?
- Harish Agarwal:** In fact, at the present level of operations, we have sufficient capacity. And for the low-value product, we are outsourcing the product. So, there is no need to increase the capacity right now. And we have utilized the fund in the reduction of working capital limit in order to improve the EBITDA level, and also in some capex expenditure in the form of tinting machines.
- Darshil Pandya:** Sir, your voice was -- can you please repeat what you just said?
- Harish Agarwal:** Yes, can you repeat your question? What do you want to exactly know?
- Darshil Pandya:** . So, you were talking on the fundraising, but the voice got break in the middle of the conversation, so I was saying...
- Harish Agarwal:** Okay. Yes, fund raised by us has been utilized for reduction of debt in order to improve the EBITDA and also invested some in tinting machines and some branding expenditure.
- Darshil Pandya:** Okay. And sir, what is the debt as on date as we are talking?

- Harish Agarwal:** As on date, in the paint business, debt is around INR20 crores in the working capital only. There is no term loan.
- Darshil Pandya:** Correct. And sir, 1 final question. Your guidance for this year, how do you look at the global economy and the raw material pricing and how do you see this year going ahead?
- Harish Agarwal:** Prices of raw materials have been stabilized as it has started reducing from January, so we are expecting the same trend continue in this financial year.
- Darshil Pandya:** And you expect the Q1 FY '24 momentum to continue for this year?
- Harish Agarwal:** Yes.
- Moderator:** The next question is from the line of Akash Mehta from Capaz Investments.
- Akash Mehta:** My questions pertain to the paints business specifically. So firstly, with new companies coming into the paint business, I just wanted your views on the competition scenario. And how are you planning to compete with the established and new brands coming into the market?
- Harish Agarwal:** In fact, we have our own strategy for marketing. We are focusing on the Tier 2, Tier 3 cities. So, our brand presence is there. So, we are focusing on that market. So, we are not seeing any difficulty to achieve the target which we have fixed for FY '24, '25, '26, '27. So, in fact we are not competing with the large players, Asian, Berger or Nerolac. We have our own market. They have their own market.
- Akash Mehta:** Okay. And just a little bit more colour on that expansion strategy in the Tier 2 and 3 cities. Since you've mentioned INR1,000 crores revenue for FY '28 for paints in your opening remarks. Can you just throw some colour on how we are planning to go about this?
- Harish Agarwal:** Yes, we have the plan. In fact, we can achieve the sales target of INR500 crores, INR600 crores from the existing facility. And thereafter, we will add 1 plant in the Central India, and we shall be able to achieve that target of INR1,000 crores. And we are also exploring to have some strategic investors for raising certain funds.
- Akash Mehta:** Okay. And just lastly, on the trend in the prices of raw materials. How has that been over the last quarter or so? And how do you expect that to be in the year going forward?
- Harish Agarwal:** Yes, this trend seems to be continuing in this financial year.
- Akash Mehta:** Okay. So, the same trend for the entire year?
- Harish Agarwal:** Yes.
- Moderator:** The next question is from the line of Kartik Shah from Point Investments.

- Kartik Shah:** I have a couple of questions to ask. First is, apart from our existing products, any new products that we are planning to launch in upcoming months?
- Harish Agarwal:** You are talking about paint business?
- Kartik Shah:** Yes, about the steel business.
- Harish Agarwal:** About the steel business?
- Kartik Shah:** Yes, steel business.
- Harish Agarwal:** In the steel business, you are asking for the new products?
- Kartik Shah:** Yes.
- Harish Agarwal:** Yes. It is in the pipeline. And we are working on the R&D of the new products. And hopefully, in the next quarter or in this quarter, we shall be able to launch the new product. We are working on that.
- Kartik Shah:** Any quantification, like quantum you can give about the new product that you are talking about?
- Harish Agarwal:** In fact, there are certain LODR restrictions to discuss about the new product, which is not given in the market or in the stock exchange, so it will be a little difficult to discuss on the call.
- Kartik Shah:** No issues. Okay. Another question I have is like I think recently, the stock exchange has not granted some respective approvals regarding the fundraising. What has been the issue? And like what steps we are taking against that?
- Harish Agarwal:** In fact, there is a price formula which we have calculated as per the LODR guidelines. And there is a confusion at the level of NSE, BSE, and they have given their different formula, which is not acceptable to the company as well as the investors. So, we have made a petition before the appellate authority, SAT.
- Moderator:** The next question is from the line of Darshil Pandya from Finterest Capital.
- Darshil Pandya:** Just a question from the previous participant, what was about the fundraising that you were talking about?
- Harish Agarwal:** In the paint business?
- Darshil Pandya:** Yes, the paint business.
- Harish Agarwal:** Which we have raised in the past? Or the future planning?
- Darshil Pandya:** Yes, future planning.



- Harish Agarwal:** Yes. We have the plan to raise certain funds in this paint business. We have to achieve the turnover of INR1,000 crores. For that, we need funds. So, we have the plan to raise the funds through private equity, through a strategic investor, or any mode, which we are working on that.
- Darshil Pandya:** So, this is planned for this fiscal year, right?
- Harish Agarwal:** Planned for?
- Darshil Pandya:** This fundraising will be done in this fiscal, right?
- Harish Agarwal:** Maybe in this fiscal or in the next fiscal, we are working on that. Because we have planned for INR1,000 crores in FY '28. So, we have to start planning from now.
- Moderator:** The next question is from the line of Rajhvi Shah from Money wise Financial.
- Rajhvi Shah:** I had three questions on the steel business. First one is, what was your branding and steel promotion expenses for the steel business for Q1 FY '24?
- Harish Agarwal:** Can you repeat the question a little loudly?
- Rajhvi Shah:** Yes, sure. What was your branding and promotion expenses for steel business for Q1 FY '24?
- Harish Agarwal:** It is INR14 crores.
- Rajhvi Shah:** Okay. Okay. So, the next question is, your royalty income grew by 16% year-on-year in Q1 FY '24. So, could you tell amount of royalty your company charged per ton?
- Harish Agarwal:** The average royalty comes to INR391 for this quarter.
- Rajhvi Shah:** Okay. And the last question which I have is, who are your major competitors for TMT bars and what is your competitive advantage?
- Harish Agarwal:** In fact, the competitive advantage is we have the decentralized production base, because we have the franchisee asset-light business model. So, we have units across India, 3, 4 units in all states. So, we can supply X quantity within 24 hours. Nobody can supply this X quantity within 24 hours. So, we have this advantage.
- And with regard to competitors, in the organized sector, we compete in the national level with Tata Steel, Steel Authority. Or at the regional level, there are certain local brands in some regions, there is Shyam Steel; in the other region, there is Amba TMT; other region, Elegant. So, at a regional level, we compete with the regional players. And at the national level, we compete with the Steel Authority, Tata Steel, Jindal.
- Moderator:** The next question is from the line of Parth Vasani from KK Advisors.

**Parth Vasani:** I had a few questions on the steel business. So just wanted to know what are the current utilization levels at your steel plant?

**Harish Agarwal:** That is 90%.

**Parth Vasani:** Okay, sure. Other is, sir, could you throw some light on the demand scenario for the steel products? And also, if you can throw some light on how has been the trend in the price of raw materials?

**Satish Kumar Agarwal:** See I told you from my opening remarks that the way in infrastructure segment, whether its housing segment, railways, roads and airports, the government's budget plan is going on in So, whenever we talk about infrastructure development, first of all, steel and cement are the two ingredients that will be needed. Especially, in the housing segment, the Pradhan Mantri Awas Yojana scheme or the Deendayal Upadhyaya scheme, in both of these, a very large quantity of work is being done in the housing segment. And in the coming time, there is a lot of requirement for steel in this segment. In the next 5 years our current capacity of 50 Lakh MT through Franchise route is in the plan of being doubled and the company is currently working on it. We want to target growth of 16%-20%. Ultimately we want to capture organic growth. Apart from this, there are many brands and industries in the unorganized sector which are not able to sell their products at a reasonable cost So we approach many such units where after quality upgradation, installing new machines, we can see the promotorship of our asset light model. Through that we can convert the unorganized sector into the organized sector. So that way the next 5 years roadmap of Kamdhenu in the steel segment is very ambitious. More or less, we are expecting plus 20% growth.

**Parth Vasani:** That is great. Lastly, if I can just squeeze in 1 more question. So, I just wanted to know how are we planning to increase our franchise and dealer network?

**Satish Kumar Agarwal:** See this is a continuous process. Like when I talk to you that we will increase our sales, we will increase our brand turnover. So ultimately, since whole Kamdhenu is a pioneer in the retail segment. As Harish ji just told you, we have sold around 8 lakh ton of steel in the first quarter. If we want to sell it continuously, then we have to continuously expand the retail outlets. And to supply the material new franchisees are added and old franchisees are also doing capacity expansion. The business model is unique because Our franchisee does the capex. Kamdhenu does all the network creation expenses in this which is branding and marketing. So, I think the benefit of this is that our franchisee, retail counters and company everyone gets win-win position.

**Moderator:** Thank you very much. That was the last question. I would now like to hand the conference back to the management team for closing comments.

**Harish Agarwal:** I take this opportunity to thank you, everyone, for joining on the call. I hope we have been able to address all your queries. For any further information, kindly get in touch with me or Strategic Growth Advisors, our Investor Relations Advisors. Thank you once again.



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