



“Kamdhenu Limited
Q2 & H1 FY2019 Earnings Conference Call”

November 15, 2018



MANAGEMENT:

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Moderator: Ladies and gentlemen good day and welcome to the Kamdhenu Limited Q2 & H1 FY2019 Earnings Conference Call. 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 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 this conference please signal an operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now like to hand the conference over to Mr. Satish Agarwal, Promoter and CMD of Kamdhenu Limited. Thank you and over to you Sir!

Satish Agarwal: Good morning and a very warm welcome to everyone. Along with me, I have Mr. Harish Agarwal, CFO and SGA, our Investor Relation Advisors. I hope you have received our results and investor presentation by now. For those who have not yet received, you can view them on our website.

As you know, Kamdhenu is the largest TMT selling brand in India. We are the largest selling TMT retails Seller in India and around 90% our sales are in retail sales. Our performance in the first half of this year has been remarkable. This is back of a strong demand of TMT steel bars and our focus on implementing strong execution strategies.

Brand Kamdhenu is able to create a premium of over Rs.450 Crores in the market. Through our 6,500 exclusive dealers and distributors in each state we ensure quick delivery of TMT bars. Our USP is that we ensure delivery of any quantity; however, small it may be within 24 hours to any place in India.

During the first half the company spent Rs.42 Crores on branding & marketing and Rs.13 Crores were spent by the franchise units on the regional level. We expect the demand for TMT steel bars to grow multifold with the kind of opportunities we see in our country. Affordable housing would be a big boost to the TMT steel sector.

Post GST we have seen major shift from the unorganized segment to the organized segment. A lot of the unorganized players want to shift their way of doing business and want to get associated with Kamdhenu. Our aim is to add only those franchisees who have high production capacities. We are only looking to add those who have annual capacities of over one lakh metric tonnes per annum.

During the last quarter, the company has recouped its business strategy by reducing B2B trading sales and increase their focus on improving efficiencies in own manufacturing and on franchisee



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based business model. This has led to improved margins better efficiencies with ROE and ROCE, increased B2C sales and improvement in working capital cycle also.

Now coming to our paint business, our board has recommended a hive-off of the paint division through a demerger into a separate mirror image shareholding company. The following are the major benefits that we will be able to get from this demerger. First, better scope for independent growth of steel and paint division, next independent and better management focus on steel and paint division, better operational efficiencies, unlocking of value by listing both the divisions, in two separate independent companies.

We offer a complete range of decorative based products, which include exterior and interior emulsions, water based primes, wood finishes, aluminum paints and textured & designer paints. We have the newest offering with the Premier Luxury Wall Finish segments. We have more than 4000 dealers exclusively associated with our paint business. We have an installed capacity of 46,000 tons per annum having over 40 SKUs across 10+ product categories. We currently have 32 sales depots with presence in our 21 states in India.

We have 30 designer galleries which are operational across India. We provide one stop shop solutions to customers as well as the painters. In the recent months we have started the outsourcing model for our paint division wherein the low value products are outsourced and only value added products, and premium products are manufactured in our own manufacturing capacity.

Our target for the paint business is to focus on tapping the underpenetrated market, capture market share from the unorganized players and improve our product portfolio, which would target paint preimmunization. Now I would like to hand over the line to Mr. Harish Agarwal, my CFO, to update on the operational performance of the Company.

Harish Agarwal:

Thank you Sir. I will take you all through the financials for Q2 FY2019. Revenue for Q2 FY2019, are at Rs.332 Crores as compared to Rs. 271 Crores in Q2 FY2018, a growth of 23%.

Total turnover including all franchise for Q2 FY2019 are Rs.2,760 Crores, a growth of 29% from Q2 FY2018. Royalty income through franchise is up by 25% to Rs.19 Crores as compared to Rs.15 Crores in Q2 FY2018.

In Q2 FY2019, steel business contributed 83.3% of revenue whereas the same for paint business was 16.7%. Profit before tax grew by 66% to Rs.8 Crores as compared to Rs.5 Crores in Q2 FY2018. Profit after tax also grew by 66% to Rs.5 Crores as compared to Rs.3 Crores in Q2 FY2018.



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Now coming to financial for H1 FY2019, the revenue of H1 FY2019 are at Rs.732 Crores as compared to Rs.498 Crores in H1 FY2018, a growth of 47%. Total turnover including all franchise for H1 FY2019 are at Rs.5,660 Crores, a growth of 48% from H1 FY2018. Royalty income through franchisee is up by 32% to Rs.38 Crores as compared to Rs.29 Crores in H1 FY2018.

Our aim is to earn royalty income of over Rs.100 Crores by FY2020.

In H1 FY2019, steel business contributed 85.7% of revenue whereas the same for paint business was 14.3%. Profit before tax grew by 89% to Rs.17 Crores as compared to Rs.9 Crores in H1 FY2018. Profit after tax also grew by 89% to Rs. 11 Crores as compared to Rs.6 Crores in H1 FY2018.

Our return ratios have also been continuously improving on account of increased efficiency in the business. Our ROE has improved by 650-basis point to 13.6% and our ROCE has improved by 520-basis point to 16.8% as of September 2018. We expect these to improve further going ahead. 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, anyone who wishes to ask a question may press * and 1 on your touchtone telephone. We have a first question from the line of Dhruv Agarwal from Crescita Investment. Please go ahead.

Dhruv Agarwal:

Good afternoon Sir. Congratulations on a good set of numbers. Sir if you can give the volume numbers one by one. If you could give me the steel manufacturing volume numbers by the company for second quarter of this year?

Harish Agarwal:

For own manufacturing it was 20,000 metric tonnes, in trading it was 40,000 metric tonnes, in the franchise route it was 5.1 lakh metric tonnes.

Dhruv Agarwal:

Okay, this 20,000 tonnes by the company last year same quarter was how much?

Harish Agarwal:

It was 15,000 metric tonnes in Q2 FY18

Dhruv Agarwal:

And same for trading for 40,000, this quarter, last year same quarter was.

Harish Agarwal:

Last year it was 45,000 metric tonnes in Q2 FY18.

Dhruv Agarwal:

This has gone down, which is good news and the franchise which was 5.1 this quarter was, last year this quarter how much.

Harish Agarwal:

It was 4.1lakh metric tonnes in Q2 FY18.



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- Dhruv Agarwal:** Same if you can give me for the first six months of this year versus the last six months from the last year?
- Harish Agarwal:** For six months of this year, the volumes were 38,000 metric tonnes from own manufacturer as against 27,000 metric tonnes same period last year. From trading the volumes were 97,000 metric tonnes as against 81,000 metric tonnes last year same period. Volumes from franchise was 10.36 lakh metric tonnes as against 8.12 lakh metric tonnes last year same period.
- Dhruv Agarwal:** Thank you so much. Rest I have the details in the presentation.
- Moderator:** Thank you. We have next question is from the line of Rithesh Bafna from RB securities. Please go ahead.
- Rithesh Bafna:** Thank you so much for the opportunity. I have a few questions. First of all, I would just like to know that we focus a lot on innovation, so I want to understand currently we have 3 types of TMT bars, so are we in the process of introducing any new TMT bars, new products in these bars in the future?
- Harish Agarwal:** R&D is going on in our plant, so we used to introduce every two to three years, a new product. Hopefully in the end of year, or beginning of the next financial year we will be able to launch a new product.
- Rithesh Bafna:** Any expectation you have on the sales number from that product?
- Harish Agarwal:** No. It is on the initial stage. We are just doing R&D in our plant.
- Rithesh Bafna:** Sir next question is on capacity which currently stands at around 72,000 MT per annum. So are we planning to expand it, are we adding 72,000 metric tonnes per annum and will be it through the franchise route or we will be doing it in-house by ourselves?
- Harish Agarwal:** We are doing in-house capacity increase by debottlenecking in our plant. By the end of this year, the capacity would be like 1,20,000 metric tonnes in the first phase and in the second phase it will again be increased to double that means be 1,56,000 metric tonnes.
- Rithesh Bafna:** Is this entirely Kamdhenu's capacity and not through the franchisee route, right?
- Harish Agarwal:** In the franchisee side, presently we have a capacity of 25 lakh metric tonnes and in the next three years we are going to double this capacity.
- Rithesh Bafna:** In terms of our geographical mix, could you give us a breakup of our sales and distribution of franchise we have across geographies?



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- Harish Agarwal:** Yes we can give you, but if you take in the broad numbers our north region is strong, if you take the royalty numbers then you can take out of Rs.38 Crores, Rs.12.5 Crores from the north side and east is Rs.11.8 Crores, from South Rs.7.3 Crores and from the west it is Rs.6.2 Crores.
- Rithesh Bafna:** Is there any particular geography that we are focusing right now to grow aggressively from year on?
- Harish Agarwal:** We are aggressively focusing on the west and south region as the north and east region is already strong.
- Rithesh Bafna:** The west and south is the focus now. Couple of more questions if I can just put it in here? We are talking about franchisees here, so just wanted to understand how do you all incentivize them, I mean you have a strong franchisee base, so just wanted to understand what are the incentives that they have to be with you?
- Harish Agarwal:** After being associated with Kamdhenu, the franchisees can sell their products with the brand name of Kamdhenu with an improved product quality. So this give them a premium in the market which is ranging from Rs, 1,500 to Rs. 5,500 per metric tonne. On an average the franchisees get a premium of around Rs 2,500 per metric tonne on their products after their association with Kamdhenu. This premium gets distributed among 4 partners, Rs. 350 to Rs. 400 is retained by Kamdhenu itself, Rs. 350-400 is received by the distributor, Rs. 800 is received by the retailer and around Rs. 1,000 is received by the franchisee unit. So, this Rs. 1,000 is the premium earned by the franchisee unit over and above the normal profit that he was earning before being associated with Kamdhenu.
- Rithesh Bafna:** And lastly one last question, can I just get a ballpark figure about what is the advertisement spend that we wish to do, to our Kamdhenu brand in terms of what is the number, as a percentage of sales or absolute figure however is possible?
- Harish Agarwal:** Yes, we have aggressively made the branding and marketing expenditure around Rs.42 Crores was spent on the same in this six months and around Rs.13 Crores has been spent by our franchisees. In some area, we stipulate in our agreement that you have to spend Rs.50 per metric tonne or Rs.100 per metric tonne in your region because you are directly getting benefit of our brand. So Rs.13 Crores is spent by the franchisee and Rs.42 Crores is spent by Kamdhenu on the entire branding and marketing expenses.
- Rithesh Bafna:** Okay, one more question if you do not mind Sir. Could you provide the percentage of the construction cost that goes in directly in TMT bars? How much is that percentage?



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- Harish Agarwal:** 4 to 5kg is the average consumption in the construction if you take three storey or four storey houses. So the prices have increased by around 10% of the steel product in the last six to seven month. So in the entire construction, I do not have any idea, but I can tell you about the steel.
- Rithesh Bafna:** Yes, exactly how much did you say for steel?
- Harish Agarwal:** 10% in the last six to seven months.
- Rithesh Bafna:** 10%, that is price increase that you are talking about, but I am talking that if we suppose our construction of building cost is Rs.100, out of the Rs.100, what is the percentage of TMT bar contributing?
- Satish Agarwal:** Suppose the construction cost is Rs.3,000 per square feet and per square feet steel consumption is 4 to 5kg depending on the high rise buildings. In three to four storeys the consumption is hardly 4kg per sq. feet and in high rise building it is varies from 5 to 6kg that means if you consider Rs. 50 a kg, the average cost is Rs.250 per square feet and if you consider the cost of construction of Rs.3000 that means the steel part is only 7% to 8%.
- Rithesh Bafna:** You are right. So basically our clients will be contractor, construction contract companies or do we have retail clients as well?
- Satish Agarwal:** You see if you see in metros, you will find high rise building the clients over there are contractors or the developers and builders. Whereas if you see the entire country like the state capitals or district headquarters, tehsil, block level or villages you will find only two or three storeys buildings and they are made by individuals or through contractors and they require huge quantity across India. That is the reason why Kamdhenu is having the biggest retail network across India and we serve the retail customer ranging with requirement of may be one tonne, or two tonne or may be of five tonne.
- Rithesh Bafna:** Okay, so major clientele is retail that is what I think?
- Satish Agarwal:** Yes the main producers usually work only for the big projects. So Kamdhenu has strength across the country through the retail network and we cater to the entire country.
- Rithesh Bafna:** Okay, done. Thank you so much for that. Thanks Sir.
- Moderator:** Thank you. We have next question from the line of Ajay Khandelwal from BOI AXA Mutual Fund. Please go ahead.
- Ajay Khandelwal:** Sir first question is that this advertising expenditure of ours has actually increased, so for full year are we still planning to go with Rs.50 to Rs.60 Crores?



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- Harish Agarwal:** No in the whole year, it would be around Rs.100 Crores.
- Ajay Khandelwal:** And franchisees would be another Rs.20 to Rs.30 Crores?
- Harish Agarwal:** No, I am talking about the whole year. Whole year it would around Rs.100 Crores, which will be jointly made by Kamdhenu as well as franchisee.. In the second half Rs.15 Crores will be by the franchise and around Rs.30 Crores by Kamdhenu.
- Ajay Khandelwal:** So overall for the year we will be ending up doing around Rs.70 Crores?
- Harish Agarwal:** By Kamdhenu.
- Ajay Khandelwal:** Okay so it has still increased from last year, which is good in a way. How was the business traction, this quarter Sir?
- Harish Agarwal:** Already available with you Sir. The numbers are speaking, it is very good Sir.
- Ajay Khandelwal:** Okay and what is the franchisee capacity additionally done in this quarter?
- Satish Agarwal:** We are assessing every year and not at every quarter. We will assess it, but it is increasing continuously, but by the end of this year it would be around Rs.30 lakh metric tonne.
- Ajay Khandelwal:** Yes so we are finding that one lakh tonne franchise, not a problem as such?
- Harish Agarwal:** Yes Sir.
- Ajay Khandelwal:** Excellent Sir. Sir coming to now paint division, so a big decision has been taken. Could you help now how the balance sheets will be divided with the paint division and our TMT division? Are we making any changes in the Team and how we are planning to go about now with paint division, if you could throw some light on that Sir?
- Harish Agarwal:** Board has decided to demerge the paint business as it will give better growth opportunities and value unlocking. Our paint business is now self-sustainable. So the board has given an in principal approval, rest of the working is in process so it will take another one to two months to comment anything on this, right now it is early to say anything.
- Ajay Khandelwal:** Okay, Sir in paint division what is the volume that we did and what is the EBITDA margin right now?
- Harish Agarwal:** In the first six months of this year EBITDA is 4.2% as compared to 3.5% in H1 FY18
- Ajay Khandelwal:** Sir last year Diwali was in October so now, you mean this quarter should be good for us.



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- Harish Agarwal:** Yes Sir, in October we made a highest ever sale which was Rs.35 crores.
- Ajay Khandelwal:** Okay so numbers will look even better.
- Harish Agarwal:** Yes Sir.
- Ajay Khandelwal:** So what was the total sales in paints now Sir for H1.
- Harish Agarwal:** The total sales in H1 FY19 is 105 Crores.
- Ajay Khandelwal:** So Sir we should end up doing Rs.270-Rs 280 Crores?
- Harish Agarwal:** It would be Rs.250 plus for the full year.
- Ajay Khandelwal:** Will the margins be in the same range Sir?
- Harish Agarwal:** It will improve.
- Ajay Khandelwal:** Sir, how will we be taking care of working capital for paint division and ad expenses? We have almost Rs.100 Crores kind of working capital engaged in paint division. So will the balance sheet be able to sustain that kind of working capital?
- Harish Agarwal:** Yes, . Sir it will be able to sustain.
- Ajay Khandelwal:** It will. You see No problem there right?
- Harish Agarwal:** We are not seeing any problem.
- Ajay Khandelwal:** Okay, any other cost cutting measures we have taken on paint division Sir?
- Harish Agarwal:** Sir we are doing R&D on the material cost and we have also started printing some packaging material in our own plant by having a facility from the supplier. On the employees end we are also crystallizing the team by giving better to high performers and the employees who are not performing we are not giving much.
- Ajay Khandelwal:** Okay, Sir and in terms of our distribution chain and our warehouses, are we rationalizing something there or are we going ahead with the same strategy?
- Harish Agarwal:** Still we are continuing with 32 sales depots, we are not reducing nor increasing.
- Ajay Khandelwal:** Sir with this low item, low price stuff, were we suppose to outsource? Has that started?



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- Harish Agarwal:** Yes, we have tie up at three places, we have already started.
- Ajay Khandelwal:** So what is the total capacity there with tie ups?
- Harish Agarwal:** Actually for the capacity in our plant, we have capacity of 46,000 metric tonnes. It is divided into three parts, water base, solvent base and powder base. For powder base, if we are outsourcing then the capacity is not being utilized. So for that we are making arrangement to discard the powder base capacity and replacing the same with some machines of the water base capacity. So we are in the process.
- Ajay Khandelwal:** Okay alright, So, Sir do you have any target, or can you indicate when the paint division is expected to start through as a separate one? Can we expect the business will be accelerated by March, before next season will we be completely geared for that?
- Satish Agarwal:** With reference to the paints division, we have innovated some paints by focusing on R&D. Some of those products like the pigments, then the colors and stainers which we used to outsource and procure, for that we have started in house production.. These are the three value added products which cost from Rs.400 litres, or 500 litres or it may be around Rs.1000 per kg in the market for which we have started our in-house production. And we have innovated new products where same product can be used in the interior and exterior as there is a big demand in the market.
- Ajay Khandelwal:** How is the performance?
- Satish Agarwal:** The demand for it is very good and there is a total demand of around 2 lakh litres every month. The high value added products, which have high or premium value like emulsions, we are going to make it in our plant. The capacity for that we are going to improve. And the low price items like distempers and putty wherein we have high transportation cost, there we have started outsourcing it to Udaipur, Punjab and Ghaziabad. From there, we are having a good response and we are going to build in our plants so that we can carry it to the whole country. For the capacities which we have in our existing plants, for that we plan to enhance so that we can have a sales of Rs. 450 Crores from our plants. That will make the turnaround in the paints division.
- Ajay Khandelwal:** Will this be done in one or two years?
- Satish Agarwal:** The capacity expansions of the plant will be done by March 31, 2019. We have already ordered for some machines, some have already arrived and are getting installed at our plants. Further, there are lots of proposals for the outsourcing, so we are working on how we can outsource distempers as well where we face problems related to transporting the product.
- Ajay Khandelwal:** Are you very happy with the performance of paints division?
- Satish Agarwal:** Yes we are happy with the performance and it is going in the right direction.



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- Ajay Khandelwal:** That is what I am asking. So finally things are falling in place?
- Satish Agarwal:** Yes. Hopefully we will continue this performance going ahead.
- Ajay Khandelwal:** Perfect. this is very reassuring. Thank you and all the best.
- Moderator:** Thank you. We have a next question from the line of Ankit Agarwal from ARC Capital. Please go ahead.
- Ankit Agarwal:** Thanks for the opportunity. Sir I have a few specific questions relating to the paint business. The first one being by what time do we expect the hive-off of the paint business and also if you can throw some light on the main reasons for such strategic demerger?
- Harish Agarwal:** The process will take around six to seven months to make the independent company. As there are processes, for which we have to make some valuations, require approval from NCLT and some other authorities so this is a process of six to seven months.
- Ankit Agarwal:** That includes all your due diligence and regulatory process and all that.
- Harish Agarwal:** Yes that includes process related to Stock exchanges and SEBI.
- Ankit Agarwal:** Okay, the next question being as in all the major players have taken a price hike from October 1, have we taken any price raise for the same for the rise in the input cost?
- Harish Agarwal:** It has been increased by around 1%-2%.
- Ankit Agarwal:** That is from October 1, 2018?
- Harish Agarwal:** October 1, 2018.
- Ankit Agarwal:** Sir how do we plan a marketing expenses going forward like? Do we expect to get someone to endorse our paints in the market?
- Satish Agarwal:** That is already in process, every time in the "Target ka Badsha" series. We have so many stars in our programmes and next time we have the programme in Hong Kong and Macau in the next July, I think lot of stars and celebrities will be there.
- Ankit Agarwal:** That is great Sir. Can you give us the market share in the paints segment and also if you could throw some light on the future guidance for the upcoming two years?
- Satish Agarwal:** In the overall market of the decorative segment it is more than Rs.30,000 Crores, we are just doing a business of Rs.250 Crores to Rs. 300 Crores in this year. I think the market share is



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- hardly 1% which means that, we have a lot of potential here. Further, after GST coming in lot of unorganized players are going out of business, this is where we can earn our market share from local companies who were surviving due to theft of taxes.
- Ankit Agarwal:** Right and we expect this to increase in the next two years?
- Harish Agarwal:** Yes, yes, surely.
- Moderator:** Thank you. We have next question from the line of Dhruv Agarwal from Crescita Investment. Please go ahead.
- Dhruv Agarwal:** Thank you Sir for the opportunity. Sir for the first half of this year, we have an EBITDA of Rs.26.21 Crores for the first six months, can you give me break up division wise of this EBITDA of 26.21 Crores.
- Harish Agarwal:** The EBITDA breakup is Rs.22 Crores from steel business and around Rs. 4.5 Crores from paint business.
- Dhruv Agarwal:** Paint is already a positive. if you could also give up the breakup of EBITDA for the second quarter like only for this quarter, the EBITDA which is 12.55 Crores, if you can give me the breakup for this EBITDA?
- Harish Agarwal:** It is Rs.10.5 Crores from steel business and Rs.2.2 crores from paint business
- Moderator:** Thank you Sir. We have a next question from the line of Niyati Shah from NS Securities. Please go ahead.
- Niyati Shah:** Good Afternoon Sir. I wanted to ask a couple of questions, one being what is the overall demand of TMT bars in India and what would be segregation between organized and unorganized players?
- Satish Agarwal:** Madam, actually it is very difficult to map the overall market, because it is very fragmented into unorganized sector majorly. But still if you say and consider about the organized players, the overall requirement of the TMT market through organized player is hardly Rs.1 Crore metric tonne. In that Rs.1 Crore tonne, the major players are the main producers and they are doing the main sales through projects and government projects. So in retail segment Kamdhenu is the largest player, we have the largest network, we have the largest team and we are doing a business of more than Rs.22 lakh metric tonnes a year. Tata Steel is hardly doing Rs.10 to Rs.11 lakh metric tonnes yearly, others are doing a very minor share. In retail segment the total market for the organized sector is hardly Rs. 30 to 35 lakh metric tonnes.



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- Niyati Shah:** Okay Sir, who will be our direct competitors in selling TMT bars in retail sales and how much is the capacity?
- Harish Agarwal:** Direct competitor majorly across the India is Tata Steel in retail. But on the regional level we have different companies, may be Goyal or may be in West Bengal some other player, in North may be Rathi at local level, but across India we have only one competitor that is Tata Steel.
- Niyati Shah:** Okay got it Sir. Sir one more question where do we source our raw material for our in-house as well as franchise business and do we have any long term contracts with the suppliers?
- Satish Agarwal:** No in terms of steel, the prices are fluctuating everyday. So no one can source on long term basis, even the main producer do not supply the material in any contract for the long term basis. In our own plant we have our own manufacturing capacity, which caters to around 30% of the requirement, balance 70% we purchase from outside, it is mainly outsourced from Raigarh or Odisha or West Bengal. They are the main producers of the iron ore. They are the main producers of the steel billets. In reference to my own franchise units, they have the liberty to purchase material from anywhere else, my only restriction is that the quality should be there which should adhere to my own quality parameters. They have to purchase from anywhere, we have no regulation on that.
- Niyati Shah:** Okay got it Sir. Sir in terms of raw materials, where do we see the steel prices going and if the steel prices increase how will it impact our business?
- Satish Agarwal:** Basically all these rolling mills are secondary producers and they normally roll the billet after heating in the furnace. So the price fluctuation are coupled with the raw materials, once the billet prices are increased, the finished goods is increased, TMT prices are reduced, the billet prices will reduce. There is only a certain part, which is where there is value addition on the materials and we only take care of the difference but we can in maximum extract on the costing of the product. So that hardly matters in our cases on the secondary steel manufacturers because we do not have the mines, we do not have the coal blocks, we do not have any material in our hand, so once we only purchase the raw material, we convert it into TMT bars with a value addition and sell to the company that hardly makes any difference in the fluctuation of prices.
- Niyati Shah:** That's it from my end.
- Moderator:** Thank you Sir. We have the next question from the line of Saurabh Ginodia from Stewart & Mackertich. Please go ahead.
- Saurabh Ginodia:** Good afternoon. Sir have I heard it correctly that you are increasing your own manufacturing capacity from 75,000 MT to 1,20,000 MT in the first phase and then to further 1,50,000 MT odd



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in the phase 2?, so I just wanted to know what will be the total capex which you have planned for this and what will be the completion timeline?

Satish Agarwal: It would be around Rs.15 Crores in both phases. Actually we are debottlenecking the plant, it is not related to installing or replacing the machines. It is debottlenecking only. So you have correctly understood that in the first phase it would be 1,20,000 MT and in the second phase it would be 1,56,000 MT.

Saurabh Ginodia: The total capex will be Rs.15 Crores or will be Rs.15 Crores, for the total phase one to phase two also.

Harish Agarwal: The total capex will be Rs. 15 crores.

Saurabh Ginodia: What will be the completion timeline?

Satish Agarwal: 1,20,000 MT capacity i.e. Phase 1 would be by the end of this financial year and the next phase would be completed by the next financial year.

Saurabh Ginodia: What is the peak level of own manufacturing we can do at that plant?

Harish Agarwal: Actually 75% to 80% is the maximum capacity utilization of any plant in the rolling division.

Saurabh Ginodia: My question was more with respect to this that once we achieve this 1,56,000 odd capacity, is there any further scope for debottlenecking or that will be the peak capacity?

Satish Agarwal: Actually the question is that how we are increasing the capacity, the basic cost in increasing the capacity is by adopting the latest technology. We are just increasing the speed of the entire machinery and speed of the outcome of the products. And by installing an automation of the maximum of the machinery, where we were working manually that way it will increase the capacity. Right now we are manufacturing 8mm TMT at a speed of 13 meter per second, after optimization we will manufacture the 8mm TMT at a speed of 22 meter per second that is the way by which the production will be increased and some machinery is further installed to give that speed. We have the limitation of land in our plant. I think beyond that right now we cannot say there is any scope, but if we have the opportunity to purchase the adjoining lands, which is available there, once we purchase that then there is a definitely potential. We can further double the capacities once the land is available with us.

Saurabh Ginodia: Nice to hear and all the best for the coming quarters.

Satish Agarwal: Thank you.



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Moderator: Ladies and gentlemen that was the last question. I now hand the conference over to the management for closing comments. Sir over to you!

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

Moderator: Thank you very much Sir. Ladies and gentlemen on behalf of Kamdhenu Limited that concludes this conference call. Thank you for joining us. You may now disconnect your lines.