



“Kamdhenu Limited Q4 FY19 Earnings Conference Call”

May 03, 2019



**MANAGEMENT: MR. SATISH AGARWAL - CHAIRMAN AND MANAGING
DIRECTOR, KAMDHENU LIMITED
MR. HARISH AGARWAL - CHIEF FINANCIAL OFFICER,
KAMDHENU LIMITED**



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Moderator: Good day, ladies and gentlemen and a very warm welcome to the Kamdhenu Limited Q4 FY19 Earnings Conference Call. This conference call may contain certain 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. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call please signal an operator by pressing “*” then “0” on your touchtone phone. I now glad to hand the conference over to Mr. Satish Agarwal, Chairman and Managing Director of Kamdhenu Limited. Thank you and over to you, sir!

Satish Agarwal: Thank you. Good afternoon and a very warm welcome to everyone. Along with me, I have Mr. Harish Agarwal - Chief Financial Officer and SGA, our Investor Relation Advisor. I hope you have received our result and investor presentation by now. For those who have not, you can view them on our website. Our overall performance for the year ended 31st March, 2019 has been above our expectations and we are very pleased to inform you that the Board of Directors of the company has recommended a dividend of Re. 1 per equity share which is 10% on a face value of Rs. 10 per equity share. Kamdhenu is the largest TMT selling brand in India. We are the largest TMT retail seller in India with around 90% of our sales being retail sales.

Before we move to discussing the performance of Q4 FY2019, we would like to reiterate that we have changed the strategy for our steel TMT business. As per the new strategy, we have decided to bring in more efficiency in our own manufacturing and increased market share by way of leveraging our brand and our asset-light business model. In line with this, we have reduced our focus on sales done to B2B segment which we call it as trading sales. This shift in strategy will lead to:

1. Increased margins.
2. Better efficiencies with higher ROE and ROCE.
3. Reduced working capital requirements.

Based on this change in strategy, we have been able to grow our revenues excluding steel TMT trading sales by 47% year-on-year basis for FY19 as compared to FY18. Thereby our overall PBT and PAT have shown a substantial improvement of 43% on year-on-year basis. Our focus will remain on high margin business that is B2C sales. We have also expanded our own steel manufacturing capacity to 156,000 metric tonnes per annum from the existing capacity of 72,000, metric tonnes.

The commissioning of the new plant and machinery has been completed and the enhanced production level will be achieved in due course, once the stabilization of entire machinery and



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new software is achieved. The will help us innovate newer products going ahead which will generate higher premium for our brand.

We are also very happy to inform you that our overall branded sales of the Kamdhenu brand has crossed Rs. 12,000 crores for FY19 which is a growth of 49% on year-on-year basis as compared to Rs. 8,000 crores in FY18. We have also achieved the targets which we had set for FY20 in FY19 itself and now we have set our eyes on a new target which is to achieve total brand revenues of Rs. 20,000 crores by FY22.

Our royalty income has also shown significant improvement and has grown by 37% to Rs. 84 Crores for the full year. We have been able to leverage our brand created through our large distribution and marketing strength. With this brand Kamdhenu, is able to create the premium of over Rs. 550 crores in the market. Through our 6,500 exclusive dealers and distributors across India which ensures quick delivery of the TMT bars.

Our USP is that we ensure delivery of any quantity however small it maybe within 24 hours to any place in India. The company is on course to beat its target of Rs.100 crores as royalty income by FY20 and aims to achieve Rs. 150 crores by FY22. Along with this we also expect to have more franchise capacity going forward and reach the 5 million metric tonnes capacity by FY22.

To continue the growth momentum going forward we along with our franchisees have continue to invest in our brand which has led to higher spend in the year. The company has spent Rs. 74 crores on branding and marketing and another Rs. 28 crores was spent by our franchisees on the brand. With greater emphasis on affordable housing, overall infrastructure development and urbanization, we anticipate demand for TMT steel bars to remain robust. This along with the shift in consumption pattern from unorganized to organized players augurs well for our brand Kamdhenu which is already a well-established brand in the country.

Now coming to our Paint business, our performance in the Paint business has improved substantially and have reported overall revenue growth of 35% year-on-year basis to Rs. 270 crores on the back of increased sales of value added products. Further the process of hive off of the paint division through a demerger into a separate mirror image shareholding company is under progress. There was a fire incident that occurred in the paint factory at Chopanki during the midnight of 27th and 28th April, 2019 due to which properties of the company has been damaged substantially and manufacturing and plant has been disrupted. The Company has proper insurance coverage for the assets in the premises of the factory. Further there has been no human casualty in the fire incident. Going forward, in order to meet substantial demand of our paint products and to reduce the impact of disruption of our manufacturing facilities we have decided outsource the production of the paint products from the third party manufacturers at various locations on an immediate basis. The Company will ensure the quality standards by deputing our own technical team at the manufacturer's plant. We have also deputed a team of experts to expedite the restoration of manufacturing in the paint factory at Chopanki again. We



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are hopeful to the resume operations at the paint factory in due course of time after rebuilding of the same.

Now, I would like to hand over the line to Mr. Harish Agarwal to update the operational performance of the company. Thank you.

Harish Agarwal:

Thank you, sir. I will take you all through the financials for FY19. Revenue for FY19 are at Rs. 1,232 crores as compared to Rs. 1,180 crores in FY18 a growth of 4% in spite of 23% reduction in B2B sales. Total turnover including all franchisee for FY19 is stand at Rs.12,000 crores, a growth of 49% as compared to Rs. 8,000 crores from FY18. Royalty income through franchisee is up by 37% to Rs. 84 crores as compared to Rs. 61 crores in FY18. In FY19 the steel business contributed 78% of revenue whereas same for paint division was 22%. Profits before tax grew by 43% to Rs. 35 crores as compared to Rs. 24 crores in FY18. Profits after tax also grew by 43% to Rs. 22 crores as compared to Rs. 16 crores in FY18.

Now coming to financials for Q4 of FY19, total turnover including all franchises for Q4 FY19 are at Rs. 3,275 crores a growth of 54% from Q4 FY18. Royalty income through franchisee is up by 44% to Rs. 24 crores as compared to Rs. 16 crores in Q4 FY18. In Q4 FY19, the steel business contributed 66% of the revenue whereas the same for paint division was 34%. Our return ratio has been continuously improving on account of increased efficiencies in the business. Our ROE has improved by 150 basis point year-on-year to 12.4% in FY19 as compared to 10.9% in FY18. And our ROCE have improved by 140 basis point year-on-year to 17.3% in FY19 as compared to 15.9% in FY18. We expect these ratios to be further improved.

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

Moderator:

Thank you very much. Ladies and gentlemen, we will now begin the question and answer session. The first question is from the line of Ajay Khandelwal from BOI AXA Mutual Fund. Please go ahead.

Ajay Khandelwal:

Sir, firstly on the paint division, yearly numbers are pretty impressive. So, this damage what do you think will be the recovery time 15 days, 1 months what is the production losses that we will have to see because of this?

Harish Agarwal:

Actually, it is an incident on 27th-28th April just 5 days back. We are in the process of ascertaining the quantum of loss as well as the assessment of the machinery as well as building. So it is too early to comment on it. We are working on it and we will be able to give a fresh press release within a period of 15 days by giving the details of entire loss or how we will recoup and how much time it will take. But immediately to restore the operation we have decided to outsource the materials so that there should not be a gap of supply in the market. So, we have immediately tied up with some units and we are making arrangements for outsourcing the material by deputing our technical teams, so that it should not hamper the quality of the product.

- Ajay Khandelwal:** Sir, what is the volume we have done, quantity because branded sale is Rs. 12,000 crores till last quarter what was it?
- Harish Agarwal:** It is around Rs.3,275 crores, for this quarter only. Out of 12,000 for Q4 it is Rs. 3,275 crores.
- Ajay Khandelwal:** In metric tonnes, sir?
- Harish Agarwal:** This is in value terms. If you want to know the volume, volume is 22.78 lakh metric tonnes for the entire year and for the last quarter it is 6.38 lakh metric tonnes.
- Ajay Khandelwal:** Sir, one question that I have is why our royalty income is lacking this branded sales number?
- Harish Agarwal:** No, not at all, sir.
- Ajay Khandelwal:** Our branded sale has increased by more than 40% and royalty income is less than that.
- Harish Agarwal:** See, which number you are asking? Quantity, you are comparing quantity as well as value?
- Ajay Khandelwal:** So, I am just looking at this Rs.8,000 Crores versus Rs.12,000 Crores as compared to Rs.61 Crores is to Rs. 84 Crores.
- Harish Agarwal:** No, it cannot be compared like this because there is a rate difference. In the FY17-18 the rate was different, in the 2018-19 the rate of TMT was different. So, we are charging royalty on per ton basis.
- Ajay Khandelwal:** Sir, I think that is why we should put up volume numbers, sir?
- Harish Agarwal:** There is no gapping.
- Satish Agarwal:** In this if you see that our franchise volume growth is 33% and our royalty has improved by 37%.
- Ajay Khandelwal:** So, sir because of topline I am not able to estimate it.
- Satish Agarwal:** Yes. When we talk about the turnover of the brand which is Rs. 12,000 Crores that depends on the rate of the steel pertaining to that period.
- Ajay Khandelwal:** Sir, one more thing, when we are talking about Rs.150 crores last year I think our royalty was Rs. 61 crores and our brand expense was Rs.50 crores. So, this year also our royalty is Rs.84 crores and our brand expense is Rs.74 crores, right?
- Harish Agarwal:** Yes.

- Ajay Khandelwal:** So sir, going forward I thought this will not increase in the same line. We will be retaining more money.
- Harish Agarwal:** Sir, it will be a combined expenditure of the paint as well as steel, not only for the steel business. The paint business has also increased by 35%, sales from 200 crores to 270 crores. So, this expenditure also includes the expenditure made on the paint business.
- Ajay Khandelwal:** So, just trying to understand sir, when we will do this 100 crores-125 crores-150 crores, the profitability should improve drastically. Any numbers may be, if you can help.
- Harish Agarwal:** It will be improve, if you see the chart given in the presentation on page number 26, the overall percentage in the 2017 it was 1.1% then it was 0.9% then we have again maintained 0.9%. When the volume will increase the percentage of brand expenditure will definitely come down. It will not increase in the same proportion.
- Ajay Khandelwal:** So, sir now what is the target this year for paint division and what is happening on demerger? When are we expecting that to get over?
- Harish Agarwal:** In fact, sir we are planning to give detail presentation on paint business in the next 15-20 days. So, right now we can simply say that our paint business will increase and it was in the past.
- Satish Agarwal:** Mr. Khandelwal, I would like to share that we working on this aspect. There are many issues such as insurance and all where the entire team is dedicated to it. We will be outsourcing the manufacturing so that we supply to the market as early as possible. One more thing I would like to share with you that majority of the stock in the 32 depots is available in all over the country from where we are catering the supply to our retail network. And we think that within 15 days we would complete the working. I would like to tell to you that we have set very ambitious target for this business in this year similar to last year, but right now I am not in a position to discuss these plans. I think within 15 days we will be in a position to do the detailed working and hopefully whatever targets we have set earlier we will be able to work on the same. Things should be in control within 15 to 20 days.
- Ajay Khandelwal:** Sir, one last question because our own manufacturing now is increasing almost doubling. So, there our profitability should improve?
- Satish Agarwal:** Definitely.
- Ajay Khandelwal:** Sir, because there whatever we are giving to franchise even that will be saved, correct?
- Satish Agarwal:** That is correct. There is one more additional thing is that my existing unit being treated as R&D center. We spend a lot on training of the entire team at this facility. Having said that, whatever my performance was there last year we expect much better performance as we are doubling our



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capacity. The costing will be lower than last year and profitability from existing plant will be very good.

Ajay Khandelwal:

Sir, what is CAPEX plan for the next year?

Satish Agarwal:

As of now in steel we don't have any capex plans. Last year we have done around Rs. 15 crores CAPEX in steel business and around Rs.9 crores to Rs.10 crores we have done in paint business. And on the question you had raised earlier regarding our marketing & branding expenses going up, actually our plan is very aggressive for the next two to three years so for that we had a lay the foundation in FY19 for which we spent higher. The result of that we will definitely see in FY20 and we will see that in bottom-line.

Moderator:

Thank you. The next question is from the line of Kunal Koladia from Anova Capital. Please go ahead.

Kunal Koladia:

Sir, my question is like as you mentioned that we have been expanding our steel capacity to 156,000 metric tonnes per annum. So, by when do you expect to be utilized fully?

Satish Agarwal:

Already the production has been increased. I think within 3 months or by June it will be utilized at the optimum level.

Kunal Koladia:

So, you expect the ramp up to be in next 3 months to reach 100% utilization?

Satish Agarwal:

Yes, sure.

Kunal Koladia:

And what would be the expected revenues that can be generated from this entire capacity for full year?

Satish Agarwal:

To the tune of Rs.500 crores approximately.

Kunal Koladia:

So, you will generate a revenue of Rs, 500 crores for this entire capacity of 156,000 metric tonnes, am I right?

Satish Agarwal:

Yes.

Kunal Koladia:

Sir and can you please throw some light on what kind of market do you see going ahead and what kind of competition like do we foresee going ahead?

Satish Agarwal:

See, as far as the competition is concerned you will find everywhere there is a lot of competition. Kamdhenu has a leadership position and a strong brand in the market as well as the largest retail network. We have the best capabilities to supply the material in time all over India.. So, we have the edge over there and ultimately the demand in the market is continuously growing and we are



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ramping up our capacities to meet that demand. We feel that we don't have any threat from regional steel players.

Kunal Koladia: But recently we have been seeing that the regional players have been aggressively marketing their products on television and everything. So, do you like plan to increase our brands spend going ahead or would it be in the same range?

Satish Agarwal: I think that depends on the time and the requirement. Right now, we cannot say but we are focused on strengthening our brand, enhancing the installed capacities, creating the demand and leveraging the brand strength. I think, the brand expenses will be on similar lines going forward as well.

Kunal Koladia: So, would it be like in the 1% range which we have been maintaining?

Satish Agarwal: I think should be less than 1%.

Kunal Koladia: And sir, it would be very helpful if you can throw some light on the market size of TMT steel in the retail segment, like what will be the market size currently?

Satish Agarwal: It is a very tough question because there is no accurate details available. But we estimate that the branded products retail segment is almost 1 crores tonne plus (+/-10%). And Kamdhenu is having major share in that particular market.

Kunal Koladia: So, what would be the Kamdhenu's market share in this category?

Satish Agarwal: Our market is +20%.

Kunal Koladia: And sir another question was regarding the paint business. So, as you mentioned that we have seen the fire in our paint facility. I want to know that is the demerger is on track or will it delay the demerger plan?

Satish Agarwal: That process is on and I think there can be some delay. But there has been no change in plan since paint is self-dependent and we want to grow to a great level and the de-merger will definitely take place sooner or later. The process can be delayed slightly, that is possible.

Kunal Koladia: And as we have seen of fire so when do you expect to streamline the business? I am sure that there must be major disruption at the plant. So, when do you expect it to normalize everything and currently is the production on?

Satish Agarwal: Right now we have sufficient stock at our depots as I mentioned earlier. We are restarting the supplies from the exiting depots where we are sufficiently stock for this month and the next month. Next we are also planning to outsource the material and we are in the process. We have deputed our technical team over there. I think shortly we will finalize and will come with a solid

proposal. In the current plant also we are planning to start the production as soon as possible but right now it is not possible for me to have any comment. I think within 15 days we will come up with a new fresh release especially for the paint business and our plans for FY20.

Kunal Koladia: So, because you mentioned that our strategy currently is to outsource the low value product and manufacture the value added product in house. So, during the time when the production is not available at the facility, do you even plan to outsource the value added products or what is your strategy?

Satish Agarwal: Yes, we have now managing 2 outsourced units for the value added and premium products. Along with that my own unit will also produce the premium products. So, I think we will hopefully do good for this year. No doubt at present turbulence is there but we will come up definitely.

Kunal Koladia: So, you mean to say like those 2 franchise units which have hired for making the value added products will make up for the loss which you have seen at the plant?

Satish Agarwal: Hopefully, we are hopeful. We will do good this year.

Moderator: Thank you. Then next is from the line of Pratik Kothari from Unique Asset Management. Please go ahead.

Pratik Kothari: Sir, can you just throw some volume numbers for the year, for our branded sales, for our paints and also our own manufacturing?

Harish Agarwal: For our steel business it is 22.78 lakh metric tonne through the franchisee road and about own manufacturing 72,000 metric tonne and for the paint business ...

Pratik Kothari: Same quarter last year?

Harish Agarwal: The last year our own manufacturing was 53,000 metric tonne and for the franchisee it was 17 lakh metric tonne for last year against 22.7 lakh metric tonne in this year.

Pratik Kothari: And for paint?

Harish Agarwal: For paint it is 32,000 metric tonne for this year and last year it was 30,000 but this is the increase of around 4% in terms of volume but if you see the value term it is 35% growth because of the product mix. This year we sold high value product.

Pratik Kothari: So, second question regarding the trading business, the share of it is coming down, we have brought it down by 25% this year. What is the plan say for the next 2 years, how will this business look?



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- Satish Agarwal:** We will continue with the B2B business as and when it is most essential. So, we have substantially reduce this business and if you see the overall sales last year it was around Rs.720 crores and this year it was Rs.550 crores, reduction is 23%. This will continue to reduce and, in this quarter also we have substantially reduce this base by 62%. In Q4FY18 it was Rs.240 crores but in Q4 FY19 it is only Rs.90 crores. So around Rs.90 crores – Rs.100 crores every quarter will continue.
- Pratik Kothari:** In the past we had talked about adding new franchisee but with a larger base. We do not now want to focus on franchisees where lower capacity. So how is that progressed? Have we added anything with a huge capacity?
- Satish Agarwal:** No, we have not added any new unit. We are telling the existing units to expand the capacity and it has been increasing from 25 lakh metric tonne to 33 lakh metric tonne in the last 1 year. We are planning make it 50 lakh metric tonne by FY22.
- Pratik Kothari:** From 33 to 50 will be by our existing franchisee will be adding new capacity or do we plan to bring in some larger size?
- Satish Agarwal:** It will a mix of both.
- Moderator:** Thank you. The next question is from the line of Mukul Agarwal from Param Capital. Please go ahead.
- Mukul Agarwal:** Sir, our royalty income from franchisee grew by roughly 50% to Rs. 24 crores in this quarter versus Rs.16 crores in Q4FY18. But our PBT is almost flat around Rs. 9 crores. So what is the reason for that and when can we see substantial money flowing to the PBT, at what levels of franchisee income can we see substantial income flowing to the PBT?
- Harish Agarwal:** This year we were having very aggressive plan for FY20 and FY21. So, we have made higher spends on branding and marketing expenditure this year. As you see in the presentation that it was Rs. 70 crores in FY18 but this year it is Rs. 103 crores. So that is the reason why you are seeing an impact on our bottom-line Going forward, we plan to maintain this level of expenditure so when the royalty income and income from own manufacturing goes up, it will flow down to our bottom-line.
- Mukul Agarwal:** So, FY20 you are saying the marketing expense will be kept somewhere between 100 to 105 crores, is it right?
- Harish Agarwal:** Yes, sir, absolutely.
- Mukul Agarwal:** And so any incremental increase in franchisee income in FY20 which is current year will flow into the PPT?

- Harish Agarwal:** Not exactly, but it will definitely impact substantially.
- Mukul Agarwal:** Sir because you having 20% market share in TMT, such a big brand, asset light model, when can we see all these thing converting into profits for the company?
- Harish Agarwal:** I think it is already in the profit, sir.
- Mukul Agarwal:** Rs. 1,000 crores revenue and Rs.5 crores profit, it does not make profitable business no?
- Harish Agarwal:** Sir, the Rs. 500 crores premium is distributed around 4 partners. We are only slicing 20% portion of that margin. Rest is going to the franchisee or the distributor or the retailer.
- Mukul Agarwal:** So, at what level of franchisee income we see substantial transfer to profits? At what level?
- Satish Agarwal:** Your this question is absolutely right. As we are planning to take our steel and paint business to a higher level we had spent more on branding and marketing this year. Having said that, I would like to assure you that whatever expectation you are having from us in FY20 or FY21 we will surely achieve the same.
- Moderator:** Thank you. The next question is from the line of Kunal Sukhwani from Crescita Investments. Please go ahead.
- Vijay Sarda:** This is Vijay Sarda here from Crescita. Sir, 2 questions, one is on the paint business. Current year we have done around Rs.265 crores turnover in the paint business. However, the margins remain quite subdued around 3%. So, when can we see the margin coming to higher single digit? So, what is the level one can expect in terms of the growth and what is the level of margin that you are looking at in next 2 to 3 years. And second is on the royalty income, the growth seems to be higher but have we increased the royalty per tonne or it is majorly a function of volume growth?
- Harish Agarwal:** In the royalty of steel it has slightly improved on per tonne basis but growth is because of volume.
- Vijay Sarda:** Sir, how much is the per tonne now realization that, royalty we get now?
- Harish Agarwal:** This is around Rs. 370 per metric tonne.
- Vijay Sarda:** Which is improved from Rs.300 odd in last 2 years, right?
- Harish Agarwal:** Yes.
- Vijay Sarda:** And volume growth is how much, sir?

- Harish Agarwal:** From 17 lakh to 22.78 lakh metric tonne.
- Vijay Sarda:** So, 30% kind of volume growth?
- Harish Agarwal:** Yes.
- Vijay Sarda:** And sir in terms of the paint business, what is the outlook?
- Harish Agarwal:** In the paint business we have grown by 35% and when it comes to profitability we have already mentioned that this year we have increased our branding and marketing spends because we have very aggressive plans for FY20 and FY21. Further, we are coming up with a detailed proposal and detailed presentation on the paint business which will give you a clear picture on our plans going ahead.
- Vijay Sarda:** So, this 100 crore odd that what we spend how much is it contributed towards the paint business and how much is towards the steel? Because steel I do not think you need to invest that much. So, majority of spend is happening in paint already. So, do you think that to continue?
- Harish Agarwal:** No, it will not continue in the same fashion. We will make a change in this pattern and also rationalize the expenditure on the branding and marketing in the near future.
- Vijay Sarda:** No, sir basically I just wanted to understand suppose if you are targeting 500 crores kind of revenue in next 2 or 3 years in paint business. So, with this current year PBIT level we are doing around 3% margin. So, will that margin inch up higher to 7%-8% going forward?
- Harish Agarwal:** Yes, on Rs.1,000 crores to 800 crores it will be around 10%.
- Vijay Sarda:** That can happen and sir, at gross margin level how much is the gross margin in the paint business?
- Harish Agarwal:** Gross margin you mean to say average realization minus direct cost?
- Vijay Sarda:** Yes.
- Harish Agarwal:** It is around 35%.
- Vijay Sarda:** So, because most of the bigger player do 50% plus or 60%.
- Harish Agarwal:** 50-60% is the material cost. If you take only the material cost against the average realization plan then that is the 50%.
- Vijay Sarda:** And now with the product mix is improving drastically in favor of the high-end value added products So going forward as your mix keeps improving gross margin can move up to 40%?



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- Harish Agarwal:** Yes as the value added products increase in the total sales the percentage of the gross margin will improve.
- Vijay Sarda:** So, eventually sir, what we are doing currently is basically spending on the overall business. So, that we will start yielding result in the future and once we achieve the desired growth our expenditure as a percentage to sales will start going down. Is that the rationale going forward?
- Harish Agarwal:** Yes, you are right.
- Vijay Sarda:** Sir, you had said the same thing when we had discussed the last time. At that time, your ad spend was around 70 crores to 80 crores which you had said will remain at similar levels. But now that spend has gone to 110 crores. So, the business is definitely grown but your advertising spend as a percentage has also increased. So, at what point you will start going down?
- Harish Agarwal:** In fact, if you take the percentage the overall brand expenditure has reduced not increased.
- Vijay Sarda:** In branding and advertising, do you split that into paint business and steel business separately?
- Harish Agarwal:** It can be estimated but it is, but it is very difficult.
- Vijay Sarda:** But is it more on the paint side then that of steel?
- Harish Agarwal:** Right now it is not available with me. I will give you the details by making the estimate. I will provide the details through SGA.
- Vijay Sarda:** And sir just overall on the steel side demand environment you have grown quite strongly but overall are you getting incremental market shares from other unorganized or how the market is shaping up in terms of overall environment?
- Satish Agarwal:** In this I would like to tell you that the ultimately the demand in normal steel is not increasing more than 7% to 8%. However, as we have strong brand we have been able to get this high growth by converting people from purchasing unbranded to branded products. So we have a lot of applications that are pending and so many people are in the queue who wants to become a part of Kamdhenu through the franchisee. So we are working converting unbranded capacities into branded one's under Kamdhenu so that we can generate premium and use the same to create larger brand leverage. In the first phase we want to double the capacity, we are not concerned much about our rate of royalty, but our effort is that we increase our volume and increase our market share. Once this is achieved we will think how we can increase our rate as the brand improves.
- Moderator:** Thank you very much. As there are no further questions, I now hand the conference over to Mr. Satish Agarwal for closing comments.



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Satish Agarwal:

Friends, I take this opportunity to thank 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 my Investor Relation Advisor - Strategic Growth Advisors. Thank you once again.

Moderator:

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