

01ST December, 2021

To,
The Manager- Listing
National Stock Exchange of India Limited,
Exchange Plaza, Bandra Kurla Complex,
Bandra (E), Mumbai-400 051
Ref: NSE Symbol: KAMDHENU

To,
The Manager- Listing
BSE Limited,
Phiroze Jeejeebhoy Towers,
Dalal Street, Mumbai- 400 001
Ref: Scrip Code: 532741

Subject: Q2 & H1 FY22 Earnings Conference Call Transcript

Dear Sir/Madam,

Pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find attached herewith Q2 & H1 FY22 Earnings Conference Call Transcript.

We request you to please take the same on record.

Thanking You,

Yours Faithfully,

For Kamdhenu Limited



Khem Chand
Company Secretary & Compliance Officer



Encl: As above



“Kamdhenu Limited Q2 & H1 FY22 Earnings Conference Call”

November 15, 2021

KAMDHENU LIMITED, MANAGEMENT :

MR. SATISH AGARWAL - CHAIRMAN & MANAGING DIRECTOR

MR. HARISH AGARWAL - CHIEF FINANCIAL OFFICER



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*Kamdhenu Limited
November 15, 2021*

Moderator: Ladies and gentleman, good day and welcome to Q2 & H1 FY 22 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 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 '*' then '0' on your touchtone telephone. I now hand the conference over to Mr. Satish Agarwal, Chairman and Managing Director of Kamdhenu Limited. Thank you and over to you sir.

Satish Agarwal: Good afternoon and a very warm welcome to everyone present on the call. Along with me, I have Mr. Harish Agarwal- Chief Financial Officer and Strategic Growth Advisor, our Investor Relations Advisors. Before we proceed ahead, I hope all of you and your loved ones are in the best of health. We have uploaded our results and investor presentation for the quarter on the stock exchanges and company's website. Hope each one of you had a chance to go through the same.

The business environment has evolved post 2nd wave of covid-19 pandemic. The company faced challenges in Q1 FY22 due to restrictions of varying degrees across different regions of the country. Post relaxations, business operations have normalized and economy is coming back to pre covid-19 levels. With large vaccination drives happening across the country and significant drop in covid-19 cases, there has been revival in demand. A lot of confidence is evident post 2nd wave of Covid -19 which will augur well for operations of businesses and should enable a more stable and conducive operational environment. Our company has delivered strong performance in both Paint and Steel business in Q2 FY22 on the back of revival in demand and favorable macroeconomic scenario leading to pick up in economic activities. Demand for paint products was driven by pent up demand and festive season across the country and steel demand was on account of the speed up of construction and infrastructure activities. Our Company has reported recovery in business trajectory in second quarter with revenue growth of 58% YoY at Rs. 215 crores. Capacity utilization at our plants is increasing gradually on month on month basis.

Now, firstly I would like to touch upon the business highlights and performance of the 'Paint Business'. We have witnessed strong economic recovery and improved demand conditions in the industry which has enabled us to clock revenues of Rs.63 crores in Q2 FY22. During the quarter our value growth was higher viz-a-viz volume growth YoY on account of change in product mix and selling of high value products like premium emulsions, colourants and stainers. We are focused on increasing the share of water based paint products and launching new variants in the market. Further, I would like to update on the insurance claim, that as of 4th October, 2021, our company has fully received the insurance claim of Rs.15.44 crores towards the loss of stocks. Insurance claim towards building, plant & machinery is under process and expected to be received within this financial year.



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Secondly, I am happy to share that our own paint factory at Chopanki, Rajasthan which was under partial operations post fire incident is fully functional now. With state of the art facility and upgraded manufacturing capabilities, our Company is ready to fulfill the demand for products from this facility in the quarters ahead. CARE Ratings Limited upgraded the rating of the company to CARE A- and A2 under credit watch with developing implications, for long term and short term banking facilities respectively. CRISIL Ratings Limited had also assigned the same rating to the company. As per CRISIL, the Indian paint industry is expected to clock a revenue growth of around 12%, this fiscal helped by improving consumer sentiment and economic recovery. Consumer preference on spends towards home improvement & refurbishment and gradual increase in real estate activities shall drive the growth prospects for paint sector. Paint companies are facing high raw material price issue and pass through is taking time. However, we expect prices to stabilize in quarters to come. We believe demand for decorative paints shall continue to grow on back of shortening of repainting cycle, growing urbanization and increased distribution reach of organized players.

Now, coming to the “Scheme of Arrangement” the Hon’ble NCLT had approved the First Motion application of the Scheme of Arrangement including the demerger of Paint Business of the Company into a separate listed entity on 4th August, 2021. Post approval of the scheme of arrangement by the equity shareholders, secured creditors and unsecured creditors of the Company in their respective meetings held on 25th September, 2021 under the supervision of the Hon’ble NCLT, Chandigarh bench, the Company has filed 2nd Motion petition physically with Hon’ble NCLT for its approval on 5th October, 2021. The Demerger of the Paint Business is expected to be completed by end of current financial year.

Now moving on to the key updates on the Steel Business. Economic and construction activities started back post the 2nd wave of covid-19 and sales has picked up from June 2021 onwards. The operations at the franchisee units and own manufacturing plant are operating smoothly. Our capacity utilizations stood at ~84% at Bhiwadi for Q2 FY22. As mentioned in last quarter, that we have realigned our manufacturing capacity of our steel plant from 156,000 MT to 120,000 MT. This has enabled us to concentrate on development of new products and training of franchise staff. We have been able to leverage our strong brand and well-entrenched distribution network across the country to clock franchisee sales of 6.03 lakh MT volumes for Q2 FY22. Our Company plans to enhance its steel TMT bars capacity through its franchisee production facilities from 38 lakh metric tonnes per annum to 50 lakh metric tonnes per annum over the next two years. Steel prices have been on an increasing trend. However, during Q2 FY22, we witnessed mismatch in demand and supply which led to fall in realizations as against raw material prices which did not come down due to unprecedented increase in coal price. However, currently the prices of finished products are back to Q1 FY22 level and we expect good growth momentum ahead. Demand for steel products continues to be robust with the government push towards infrastructure spends.

To conclude, we command a dominant market share in the organized retail segment of steel and paint industry. We aspire to align our brands as brands of people's choice and increase our brand turnover to 22,000 Crores by FY 2023-24. The future of the company looks bright even as it passes through competitive times. We are poised to grow much faster in the coming decades based on our product excellence, human resources, brand equity and market growth.

Now I would like to hand over the line to Mr. Harish Agarwal to update on the Financial Performance of the Company.

Harish Agarwal:

Thank you, Sir. I will take you all through the Financials for Q2 & H1FY22.

First, about the Paint Business:

- Total Sales from Paint Business for Q2 FY22 stood at Rs. 62.9 crores as compared to Rs.39.8 crores in Q2 FY21, growth of 58% YoY and stood at Rs. 33.14 crores for Q1 FY22, a growth of 90% QoQ . We expect the momentum in paint business to continue going forward with pick up in business activities and consumer preferences for renovating and refurbishing houses.
- We have reported positive EBIT (not adjusted for unallocable expenses) of Rs.3.6 crores for Q2 FY22.
- Paint segment contributed 29% of Revenues in Q2 FY22
- Our overall volumes from own manufacturing and outsourcing stood at 8,351 KL for Q2 FY22 as compared to 6,293 KL for Q2 FY21, a YoY growth of 32% and stood at 5,092 KL in Q1 FY22, a growth of 64% QoQ.
- To quickly summarize the half year numbers:
 - For H1 FY22, total sales stood at Rs. 96 Crores as compared to Rs.72.6 crores in H1 FY21, an increase of 32% YoY
 - For H1 FY22, we have achieved positive EBIT of Rs.1.51 crores.
 - For H1 FY22, our volumes stood at 13,443 KL as compared to 12,038 KL in H1 FY21, a growth of 12% YoY

Coming to the Steel Business:

- Our steel volumes including Franchisee route have increased by 7% YoY to 6.27 lakh metric tonnes in Q2 FY22 as compared to 5.88 lakh metric tonnes in Q2 FY21 and 5.80 lakh metric tonnes in Q1 FY22, a growth of 8% QoQ.
- Total Brand Turnover for Q2 FY22 stood Rs. 3,792 crores as compared to Rs. 2,645 crores in Q2 FY21, a YoY growth of 43% and stood at Rs. 3,485 crores in Q1 FY22, a growth of 9% QoQ.
- Royalty Income through Franchisee's was up by 10% YoY at Rs. 22.5 crores in Q2 FY22 as compared to Rs. 20.5 crores in Q2 FY21 and stood at Rs. 21.5 crores in Q1 FY22, a growth of 5% QoQ.

- Revenue from Own Manufacturing was up by 67% YoY to Rs.125.5 crores in Q2 FY22 as compared to Rs. 75.1 crores in Q2 FY21 and stood at Rs.88.0 crores in Q1 FY22, a growth of 43% QoQ.
- To quickly summarize the half year numbers:
 - For H1 FY22, our volumes including franchisee route stand at 12.08 lakh metric tonnes as compared to 10.07 lakh metric tons for H1 FY21, a growth of 20%.
 - Total Branded turnover for H1 FY22 stood at around Rs.7,277 crores as compared to Rs.4,618 crores for H1 FY21, a growth of 58% YoY
 - Royalty income through franchisee's For H1 FY22 stood at Rs.44.1 crores as compared to Rs. 35.2 crores in H1 FY21, a growth of 25% YoY.
 - Revenue from Own Manufacturing for H1FY22 stood at Rs.213.5 crores as compared to Rs.110.6 crores in H1 FY21, a growth of 93% YoY

For the overall business:

- Revenue for Q2 FY22 stood at Rs.215.5 crores as compared to Rs.136.1 crores in Q2 FY21, a YoY growth of 58% and stood at Rs.145.9 crores in Q1 FY22, a QoQ growth of 48%.
- Our EBITDA was up 60% YoY to Rs.14.0 crores in Q2 FY22 as compared to Rs. 8.7 crores in Q2 FY21 and stood at Rs.11.6 crores in Q1 FY22, a growth of 21% QoQ. Our EBITDA Margins for the Quarter stood at 6.5%.
- Profit after tax stood at Rs.7.7 crores for Q2 FY22 as against Rs.2.5 crores in Q2 FY21, a growth of 204% YoY and stood at Rs. 5.6 crores in Q1 FY22 , a growth of 37% QoQ.
- Let me quickly summarize the half year numbers
 - Revenue For H1 FY22, our revenues stood at Rs.361 crores as compared to Rs. 219 crores in H1 FY21, a growth of 65% YoY
 - For H1 FY22, EBITDA stood at Rs.25.6 crores as compared to Rs. 15.7 crores in H1 FY21, a growth of 63% YoY
 - For H1 FY22, Profit after tax stood at 13.2 crores as against Rs. 4 crores for H1 FY21, a growth of 234% YoY
- Our cashflow from operations stood to the tune of Rs. 17.8 crores for period ended 30th September, 2021
- Our Return Ratios have been continuously improving on account of increased efficiencies in the business. As of 30th September 2021, our ROE stood at 12.9% and ROCE stood at 15.5% as on annualized basis.
- Our Debt to Equity Ratio stands at 0.43x.

With this, I would like to open the floor for Q&A.



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- Moderator:** Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Priyanka Singh from Atidhan Securities. Please go ahead.
- Priyanka Singh:** My first question is what are your current utilization levels at both of your plants and what was the utilization in the quarter gone by?
- Harish Agarwal:** Our steel plant utilization is 84%, whereas we have just started full capacity operation in the paint business, so it would be around 75% in this month.
- Priyanka Singh:** Also, can you throw some color on the debt levels at the end of this quarter in both the businesses, separately?
- Harish Agarwal:** In the paint business, we have around Rs. 70 crore and in the steel business we have Rs. 40 crore working capital facility from the banks only.
- Priyanka Singh:** Okay and lastly, can you provide a breakup of your branding and promotion expenditure for both, paints as well as steel business for this quarter? And at an overall level...
- Satish Agarwal:** This time it is very difficult to separate expenditure on the branding for paint and steel business. Once the process of demerger completes, then we will be able to bifurcate these expenditures on the paint business as well as steel business. Now, we are making combined expenditure on the brand, Kamdhenu.
- Priyanka Singh:** Your total branding expenses, what would that be as a percentage of your total sales?
- Harish Agarwal:** This time in the Q2, we have spent around Rs. 12 crore against the revenue of Rs. 215 crore. So it would be around 5% - 6%.
- Moderator:** Thank You. The next question is from the line of Nidhi Khanna from M K Advisors. Please go ahead.
- Nidhi Khanna:** So, I wanted to understand that the raw material prices of our company's products are rising significantly since the last few quarters. We have seen that the Asian Paints have taken a price hike of up to 9% in Q2 FY22. So is there anything that we are also doing in this direction. Are we taking any price hikes in the near term or have we already taken?
- Satish Agarwal:** Yes, madam as everyone knows that the raw material prices of the paint ingredients are continuously increasing. First you just understand that most of the companies revises the prices whenever the Asian Paints revises. Accordingly, we have also revised about 1.5% price increase in the month of July and again 1.5% increase in the month of August. That was impacted partially in the Q2 basis and now again between 12th November and 15th November 2021, we have also announced an average price increase of 8%, which will be from 8% to 10% in different

categories. In few categories, our low-price products, the increase is somewhat less but average impact on the realization will be 8% in the coming quarter or and the Q4 also.

Nidhi Khanna: All right, this is certainly helpful. I also want to know sir that how has the demand shaped up in Q2 FY22 and post July 2021 and what is the growth guidance for H2 FY22 that you can share with us?

Satish Agarwal: Madam, whenever we consider the growth guidance for this current financial year, in Q2, the sales would have been much more. But the main reason for this much sale is due to the floods in the Eastern UP and most of the part of the country. The sales of paint business was greatly affected, which is now going normal and in second H2 for the current fiscal. We hope that the growth in comparison to last year will be 40% to 45% on average basis.

Moderator: Thank You. The next question is from the line of Amit Shah from Ace Securities. Please go ahead.

Amit Shah: Good afternoon sir. Thank you for taking my question. I have couple of questions. Does the company plan to do any further CAPEX in paints and steel business?

Satish Agarwal: In steel business, we have asset light model where we are enhancing our capacity to 50 lakh metric tonnes over the next two years. So over there we are doing through the Franchise route. In the steel business in today's date, we do not have any major CAPEX program as such. In Paint of course, we have already done CAPEX in the last period, a little more is getting added in our existing plant for upgradation. But as soon as our capacity utilization improves and increases more or and if our sales reach nearly Rs. 400 crore since the existing facility of our plant is of Rs. 450 crore now. As soon as the capacity utilization reaches ~75% to 80% and if we are supposed to get further sales then we have kept a CAPEX plan of almost Rs. 100 crore for one of our plant in the phase 1 and in phase 2 again we have a plan of Rs. 100 crore, so over the next two to three years, the company has planned a Rs. 200 crore investment in Paints for capacity expansion. Capex would be for the new plant establishment we have Rs. 200 crore of CAPEX plan for expansion of paint business, we require for our whole network, evidently in the next two to three years. Plus more expense has to be done on branding as you know we have roped in Preity G. Zinta as our brand ambassador. So we are going to start our ad-campaign soon with Preity G. Zinta as brand ambassador. So we will increase our expenditure in Paints in the coming times.

Amit Shah: Okay, so sir the brand building that you are talking about, so what is your thought process behind it, again I mean behind this expenditure on brand building?

Satish Agarwal: See, the company's ambitious target in Paint that is there in today's date. Maybe we will revise it and increase it but now till March 2026, the business plan that the company has conceived, in that we are taking a sales target of Rs. 1,000 crores which gives a growth of 40% to 45% every

year. So I think to achieve those sales, we need to increase our dealer network , plant capacity also need to be improved, then only we will be able to achieve those targets. And then only the net result or profitability that is there, the EBITDA margin that is there which is very less today. We will be able to achieve ~11% to ~12% EBITDA margin when we will have that quantum of sales. So to achieve that we have kept a target of Rs. 1,000 crore in Phase 1. Once we achieve Rs. 1000 crore of target and the company's profitability becomes good, then we will plan how to leverage it further in future in the inorganic or organic growth then we will decide on it within two or three years.

Amit Shah: Okay thank you. Sir the cash flow from operations of our company stood at Rs. 18 crore as on September 2021, so what is the usage of these funds?

Harish Agarwal: For the purpose of working capital and also for the reduction of bank borrowings.

Amit Shah: Okay and sir lastly, what is the reason for increase in our other expenses by 20% on y-o-y basis and 16% on q-o-q basis?

Harish Agarwal: The increase is in the proportion to the sales. Sales has also increased.

Amit Shah: Correct, so there is nothing extraordinary in this expense.

Harish Agarwal: No.

Amit Shah: Any one-offs?

Harish Agarwal: No, there is nothing extraordinary, it is in the proportion of sales.

Moderator: Thank You. The next question is from the line of Nidhi Khanna from M K Advisors. Please go ahead.

Nidhi Khanna: Hi, thank you for taking another question from me. Sir, I just wanted to know that in our Paints business. What is the proportion of business that comes from our own manufacturing versus the outsourcing ?

Satish Agarwal: Madam, I would like to share a little with you that in Paints, post fire incident, we had less production capacity, so at that time we had started specially low priced item through two outsourcing channels and where we are making this low priced item. Now, we have just started our plant in full-fledge capacity from October 2021 onwards, so in terms of volumes, from our own capacity our own share is 40% and in terms of outsourcing, our share is 60%. But value wise because we have high value products and emulsions and other products are also there. So value wise our portion from own production is 52% and 48% from outsourcing. This will gradually come to almost 70:30 because revenue potential from our own capacity is of Rs. 450 crore and from our outsourcing capacity it is of Rs. 150 crore.

- Moderator:** Thank You. The next question is from the line of Dinesh Kotecha from KRIC. Please go ahead.
- Dinesh Kotecha:** Hello Sir. I want to know two or three things. One is how was your festive season which just went by Diwali; so how was it in terms of demand, supply and plant utilization?
- Satish Agarwal:** Festive season went very well and, in this month, we have clocked sales of Rs. 42 crore. The sales which were Rs. 30 crore in the month of September, was Rs. 42 crore in the month of October due to the festive season and it was for all the value-added products. So as and when the company is coming into production, the demand is increasing and the market demand is also good, so sales are improving. I believe this season was very good, with how much capacity we had, we had few limitations and few constraints were also there.
- Dinesh Kotecha:** Sir, my second question is that you said that Rs. 12 crore will be spent on the Kamdhenu brand together, I mean so what is the brand value actually? Has Kamdhenu's brand value been done now, so what should be the brand value according to you?
- Satish Agarwal:** See brand value is a very complicated subject, we have not done any brand valuation in past 10 to 15 years. Taking this into consideration that in the coming times the brand value will be once paints is hived-off and then we will think what will be the brand value. But this is definite that in today's date our brand turnover is nearly Rs. 14, 000 crore and this derives a brand premium of Rs. 300 crore to Rs. 400 crore approximately which is shared by all three: our Franchises, Retailers, and the company. This is for sure that in today's date company's net revenue stands at Rs. 95 crore to Rs. 100 crore, in the coming times, say in the next two year this will be Rs. 150 crore as we are thinking. So the time is coming now to unlock the brand value, the paint's brand value will come good, steel has its own value. I think let the hive off process move forward, when the listing will be done, I think so, some or the other indication will come there as to in which way the brand value is moving forward.
- Dinesh Kotecha:** Right. Sir congratulations because this is the first time, this is the first quarter where we have done a turnaround in the paint industry, we have got profit from the paint division. And secondly, congratulations also, for receiving that insurance claim of Rs. 15.44 crore for the materials which was destroyed. Remaining insurance premium, as you said, you are expecting by the year end, right, 31st March, FY22. Now, I would like to know the insurance claim has been received after the September quarter right?
- Satish Agarwal:** Yes.
- Dinesh Kotecha:** So you will show the insurance claim received in the next quarter, the third quarter in the other income?
- Harish Agarwal:** It will not be income; it is against the loss already booked.

- Dinesh Kotecha:** So extraordinary I mean, that will be in the extraordinary item, right?
- Harish Agarwal:** No, at the time of loss we have passed the entry as a loss to receivable from the insurance company. Loss we have already booked.
- Dinesh Kotecha:** Okay, so again another one thing I wanted to know, was there any major challenges or constraints that you have overcome in this quarter successfully?
- Harish Agarwal:** You are talking about paint business or steel business?
- Dinesh Kotecha:** Both the businesses, I mean any major challenges or constraints that you have really overcome which was you know was putting up some hindrance to your performance?
- Satish Agarwal:** See the main challenge that has been there in both, the Paint and Steel businesses is of raw material prices. Also, as you know that in Paints, the raw material prices have increased quite a lot due to crude. Titanium prices have increased a lot plus almost 10% to 15% raw material prices have increased and we have been able to pass on the price increase of only 3% forward partially. So that was a big challenge that how we should overcome it. So for that the company has done a lot of formulation changes in the R&D center by maintaining the quality or by improving the quality and we have done quite a lot of work on it also. That is why in Q2 FY22 our profitability has improved a little. Like how the price increase of 8% to 10% is coming in the month of November 2021, Asian Paints has already implemented with effect from 12th November 2021, we are also going to pass this on. We have announced it now, it looks like we will implement this completely by 20th November 2021. So you will see its impact in the coming Q3 and Q4. In the same way, in steel you know that coal and coke prices had increased a lot in the last period and in between one period had come where the finished prices had gone down suddenly. So that price increase had to be absorbed in steel also, almost everyone has done it. Since Kamdhenu is a secondary manufacturer, all our franchise units purchase billets or ingots, so everyone including us, got the raw material at a higher price and we have not been able to pass on the finished goods prices to that extent. We have not been able to pass on the cost escalation of almost Rs. 2,000 to Rs. 2,200 per MT. Now the coal prices are decreasing gradually and raw material prices are also decreasing, billets and inlets prices are also decreasing. So I feel that pressure is being released gradually.
- Dinesh Kotecha:** My last question is, what are the in-hand orders by government for steel products?
- Satish Agarwal:** See I would like to inform you that Kamdhenu's business model is for the average, low and middle-class people. Our strength is on retail front, because in retail, realizations are higher and the people who built their own single storey houses or 3 storey or 4 storey or individual houses get constructed, Our corporate sale is also low, government sales are also very low. Only builders buy material from us in all over India but the small consumers that are there who need 1 tonne or 2 tonnes, 10 tonnes or 20 tonnes. 50-tonne material is required in steps, in first floor they



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require 5 tonnes, in 2nd floor they require 5 tonnes again, at the time of third floor again 5 tonnes is required, so we cater especially in that way. Our objective is there is to give out best quality product to common man at a reasonable cost for construction all over the country that we are able to give. So, the quality we have maintained and today we have more than 75 units all over India who make steel of uniform quality in the entire country at competitive rates. We make that available to the common consumer, so our involvement in the government supply is very less. Our biggest strength is on retail and we get the maximum realization in retail only. So almost 80% - 90% of our sales are from retail, 10% is from project related. As of today we cater more than 11,500 dealers of Kamdhenu, which we are proud of and since we have units spread across the entire country we provide them services overnight. If you book at 5 pm in the evening, then next day morning material will be delivered onsite, so this is our strength and we work on those lines only.

Dinesh Kotecha: Sir, I had one more question, the expansion that is going on, is there any cost overrun or time overrun in it now or is it on target?

Satish Agarwal: For the steel capacity that we are building through the franchise route. We have already built up 40 lakh tonnes capacity and we will move over to 50 lakh tonne in the coming 1-1.5 years. So all of that will be achieved through franchise route. We do not have any CAPEX in that. In paints yes, there is some amount of CAPEX needed but rest as I had said in my first question, our target is in first tranche it will be Rs. 100 crore and again in the second tranche will be Rs. 100 crore. So over the next two years, the company has planned a Rs. 200 crore investment in Paints for capacity expansion. Only then we will be able to touch the Rs. 1000 crore sales target. So in that our working capital requirement is also there. CAPEX is also there, plus the tinting machine that is there, more number of machines would be required, so in that also our Capital investment will be there.

Dinesh Kotecha: Sir thank you. And wish you and your team the best of the luck for the next year and after demerger is completed. I feel our work will be very good in paints and steel both businesses as we have turned around in paints and therefore we will reap good benefits out of this.

Moderator: Thank you. The next question is from the line of Ronak Jain from Jain Capital. Please go ahead.

Ronak Jain: Sir, my first question, is there any particular product segment which you have gained market share in our paint business?

Satish Agarwal: See in paints we have two-to-three-star products that we have launched in the market. In low price we have Bunty and Babli, which are two products extremely popular and in demand for the last 7-8 years. These are low priced items in distemper and one product we have in enamel. Apart from this, now we have launched a new product called as Kamodual paint for the first time in India which can be used in interior and exterior simultaneously. So, you see people who work at home and when painting is done, so in the last there is some amount of paint which is

left out and goes in waste, this wastage when we calculated is around 7% - 8% which happens on every site, so to save this wastage, we have developed this new product that can be used in interior and exterior that is named as Kamodual emulsion. So the same product can be used for interior and exterior. Because of that the end consumer saves around 7% - 8%. Apart from this the premium products that are there, stainer is also made by our company. Earlier the number 1 stainer made in India was manufactured by Pidilite, now we are getting continuous demand of Stainers. So we did R&D and developed our own Stainer. So now if we see, our portion of sales is almost 20% from Stainers. Due to that also the expected revenue growth would be coming from Kamdhenu made Stainers. Rest the tinting machine colors that are there, that also we have developed in our company with our R&D, so that also I think would help in the future growth of the company.

Ronak Jain:

So, sir secondly, restoration of sales facility got completed in October 2021 and now it is operational. So, what is the revenue potential that facility can deliver for the 2nd half of FY22 and what products would be manufactured from the own paint facility ?

Satish Agarwal:

See, all of our products can be manufactured in the existing facility in Rajasthan. Still at our own plant that we have in today's date, we have the capacity of 30,000 kl and we can generate revenue of Rs. 450 crore from our own plant.

Along with that, the outsourcing unit which we do for putty, distemper, or primers or enamels, for that we have approximately 36,000 kl capacity with us and from there also we can generate revenue of Rs. 150 crore. So by this way the total capacity is of 66,000 kl and total revenue of Rs. 600 crore we can generate from the existing facility. So, as and when our capacity utilization starts improving, market sales will start increasing, then we can think of new facility and for that work is in progress. We are in talks with a lot of people and we are talking in both means whether to establish our own plant or outsource in whichever area. As all of our facilities of manufacturing are in North, two units are in Udaipur and in Rajasthan Alwar district and one is in Haryana. So for us to go to South and long distance we have disadvantages due to freight cost. So we are evaluating those factors as to in which location we should generate more capacity and we can neutralize the disadvantage of freight.

Ronak Jain:

Okay sir, lastly what are the schemes that the company offers to its dealers as incentives?

Satish Agarwal:

See the company's focus has always been to incentivize the dealer to the maximum. The exclusivity scheme that we have in our business model. Dealers have competition with each other. Every dealer has a dedicated area, he works in that area only and maximum profitability is achieved by doing so, be it paint or steel. So that is why our dealers are continuously growing and they are loyal and associated to our company always. The dealers are like our family members, not as a business partner. A family relation is always maintained with them and that is our strength.

- Moderator:** Thank you. The next question is from the line of Atul Kothari from Progwell Securities. Please go ahead.
- Atul Kothari:** Sir, can you tell us which new products you have launched in the last 6 months?
- Satish Agarwal:** Are you referring to the paints?
- Atul Kothari:** Yes, sir in your overall business including paints, how many new products have you launched in last 6 months?
- Satish Agarwal:** See, as such we have not started a new category but in paint through R&D we have launched around 4-5 new products, in interior, exterior and dual which is interior cum exterior, we have come up with. So, we have launched 5 products in paints. Apart from this in steel 2 years back, we had launched Kamdhenu Nxt. After that we upgraded it to Kamdhenu Power Alloy Steel-10,000 a new product which is especially for high rise buildings. So these are the products we are intensifying through our marketing. It is difficult to bring in new-new products, our emphasis is more towards cost reduction.
- Atul Kothari:** Okay. Sir if I am not wrong, we have applied for second motion of application for the scheme of arrangement to NCLT, so this process of demerging, how much more time it will take?
- Harish Agarwal:** In this financial year, total work will be completed. We are expecting in November 2021 we get its listing done on NCLT list and in December 2021 second motion hearing may be completed. In December 2021 as soon as hearing is completed, immediately we will start the next process.
- Atul Kothari:** So, till when will the listing be completed for Kamdhenu ventures?
- Harish Agarwal:** We are expecting that this listing will be completed within this Financial Year and we are hoping to get this process completed by March 2022.
- Atul Kothari:** And sir are we looking out for any private equity partner or Strategic partner?
- Harish Agarwal:** See, we are working on this, but at the stage we are in now, demerger process is ongoing, so the discussion levels would happen once this process nears its completion, then we will start this process in the active manner.
- Atul Kothari:** And sir when we will be looking out for that Private or Strategic equity partner, what will our objective be?
- Harish Agarwal:** We will have to infuse funds into paint business. We have to commission our plant, do branding and upgrade on painting skills. So basically it will be infusion of funds in the paint business.

- Atul Kothari:** Okay sir and sir as far as the TMT steel capacity is concerned, sir in our Telangana facility we are increasing our capacity by 25%, right?
- Harish Agarwal:** Yes, exactly.
- Atul Kothari:** So sir what is its progress, as of now?
- Harish Agarwal:** The progress is very good there. Two units of ours are working currently and the third unit is of the structural steel of Agrawal manufacturer and their production level has also increased by around 10% - 12%. 3 months ago, we had planned that we will increase this from 25%, so that will get increased, it has already been increased by 10% - 12%, and its sales have also come through. Capacity utilization is a continuous process.
- Atul Kothari:** Sir, my last question, sir basically if I am not wrong, the franchise capacity that we have, are you exploring any new markets in them, so sir what is the progress on it now?
- Harish Agarwal:** See, we have strong presence in North, so the regions wherein our presence is less, over there we are working to increase it. We are strengthening the marketing network in that area, we are increasing the production in that area, otherwise our presence in steel is all over India. And the capacity that we are increasing is wherever we see scope, we are increasing it. Like we have target in the next 1.5-2 years that 40-lakh tonne should be 50 lakh tonne through franchise route. It is work in progress in all regions, not restricted to a particular region.
- Moderator:** Thank you. As there are no further questions from the participants, I now hand the conference over to Mr. Harish Agarwal 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 or clarification, kindly get in touch with us or SGA, our investor relation advisor. Thank you once again.
- Moderator:** Thank you. On behalf of Kamdhenu Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.