



Ref: KL/SEC/2022-23/92
Date: 18th November, 2022

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

NSE Symbol: KAMDHENU

To,
The Manager- Listing
BSE Limited,
Phiroze Jeejeebhoy Towers,
Dalal Street, Mumbai- 400 001

BSE Scrip Code: 532741

Sub: Submission of Q2 H1 FY23 Earnings Conference Call Transcript

Dear Sir/Madam,

In continuance to our earlier letter KL/SEC/2022-23/81 dated 10th November, 2022 and pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed herewith Transcript of Earnings Conference Call held on Monday, 14th November, 2022 for the quarter and half year ended on 30th September, 2022.

We request you to kindly take the same on records.

Thanking you,

Yours faithfully,
For Kamdhenu Limited

Khem Chand,
Company Secretary & Compliance Officer

Encl.: as above.



**“Kamdhenu Limited
Q2 H1 FY23 Earnings Conference Call”**

November 14, 2022

Kamdhenu Limited, Management:

Mr. Satish Agarwal : **Chairman & Managing Director**
Mr. Harish Agarwal : **Chief Financial Officer**



Disclaimer: E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 14th November 2022 will prevail



*Kamdhenu Limited
November 14, 2022*

Moderator:

Ladies and Gentlemen, Good day and welcome to the Q2 H1 FY23 Earnings Conference Call of Kamdhenu Limited. This conference call may contain forward looking statements about the company which are based on the belief, opinions and expectations of the company as on the date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing '*' and then '0' on your touchtone phone. Please note that this conference is being recorded.

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

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 Relation Advisor.

We have uploaded our result and investor presentation for the quarter on the stock exchanges and company's website hope everyone had a chance to go through the same. India the world second largest crude steel producer posted 11.4% growth in finished steel consumption during April to October to 65.5 million tons. Indian demand remains a bright spot in major steel market as domestic consumption is seeing growing at a high single digit rate over the next 12 months to 15 months.

Steel industry is poised towards growth on the back of construction sector which is going to a Pan India driver of steel demand in the country. This would be driven by strong government trust for infrastructure development and housing for all. Further support to development of the steel industry is expected to come through the Make in India initiative. The demand for TMT bar has also been picking up on account of demand from the infrastructure and the essential projects which will be huge. Demand for decorative paints have been witnessing strong traction over the past few quarters and we expect this momentum to continue on back of shortening of the painting cycle, housing demand and consume preference to build pucca houses.

We are poised towards growth by focusing on the premiumization of portfolio. On the raw material front commodity prices have been very volatile and have seen a sharp rise, but now the prices seems to be stabilizing gradually. Our company has reported a revenue growth of 25% year-on-year to 191 crore for Q2 FY23 for H1 FY23 revenue stood at 382 crore delivering a growth of 44% year-on-year. With the wide portfolio of products from TMT bars, structural steel and color coated profile sheet we are well established to cater any demand going ahead. We further plan to expand our franchise and dealer network and also enhance the steel TMT capacity by increasing annual production capacity from 38 lakh metric tons to 50 lakhs metric tons



*Kamdhenu Limited
November 14, 2022*

through franchise route by FY24. We have an increased focus on own manufacturing and franchise business along with a recouped business strategy of reducing B2B trading sales which leads to lower working capital hereby enhancing capital efficiency. We command a dominant market share in the organized retail segment of the steel and paint industry with our strong brand new product categories in decorative paint, marketing and distribution network and unique asset light model we are well placed to capture any opportunities in future. The focus of paint business continues to penetrate into existing markets, explored new markets and expand the dealer network in Tier-2, Tier-3 and Tier-4 cities.

Our strategy remains on manufacture and sales of premium paint products and reduction in manufacturing of commoditized products. In order to achieve this goal, we are outsourcing our low value product from contract manufacturers adhering to stringent quality standards. We wish to inform you that Kamdhenu Ventures Limited has received an in-principle approval from BSE and NSE on 3rd November and 7th November 22 respectively for listing of equity shares pursuant to the scheme of arrangement. We are delighted to inform that we are raising funds to the tune of Rs. 70 crore this will help to reduce our debt and make us debt free.

This will also help create a better brand positioning in the industry. The company's board of directors have decided to create offer issue and give us convertible warrants on the preferential basis in one or more tranches up to a maximum of 50 lakh warrants. Each warrant gives the holder the right to convert into equity shares with the face value of Rs. 10 and get one fully paid-up equity share in exchange for each warrant within 18 months of the date of issue at a price of Rs. 141.

With this, I would hand over the call to our Group CFO – Mr. Harish Agarwal for the financials. Thank you all.

Harish Agarwal:

Thank you sir. I will take you all through the financials for Q2 and H1 FY23. Our steel volume including franchise route have stood at 6.8 lakh metric ton in Q2 FY23 as compared to 6 lakh metric ton in Q2 FY22 a year-on-year growth of 13% for H1 FY23 steel volume grew by 21% to 14.1 lakh metric tons. Our TMT volume from own facility stood at 26,785 MT in Q2 FY23 as compared to 25,190 MT in Q2 FY22 a year-on-year growth of 6%. For H1 FY23 TMT volume grew by 21% to 51,214 MT. Total brand turnover for Q2 FY23 stood Rs. 4,916 crore as compared to 3,792 crore in Q2 FY22 a growth of 30% year-on-year basis. For H1 FY23 total brand turnover grew by 40% year-on-year to 10,225 crores. Royalty income to franchise stood at Rs. 26.2 crores in Q2 FY23 as compared to Rs. 22.5 crores in Q2 FY22 a growth of 16% year-on-year basis. For H1 FY23 it grew by 22% to 53.8 crores.

Revenue from own facility was up by 24% to 155.8 crores in Q2 FY23 as compared to 125.5 crores in Q2 FY22. For H1 FY23 it grew by 44% to 308.40 crores. Total sales from steel business stood at Rs. 191.3 crores for Q2 FY23 as compared to Rs. 152.7 crore for Q2 FY22 a growth of 25% year-on-year basis. For H1 FY23 it grew by 44% year-on-year to 382.5 crores. Our

EBITDA stood at Rs. 12.2 crores in Q2 FY23 as compared to Rs. 10.7 crores in Q2 FY22 a growth of 14%. For H1 FY23 it grew by 10% to 27.6 crores. Profit before tax stood at Rs. 10.9 crores for Q2 FY23 as against 10.1 crore in Q2 FY22 a growth of 7% and H1 FY23 it stood at Rs. 24.4 crores a growth of 4% year-on-year basis.

Pursuant to scheme of arrangement become effective the paint business of Kamdhenu Limited have been transferred to and vested with Kamdhenu Colour and Coatings Limited with effect from 1st April 2022 being the appointed date. Therefore, the company is not required to disclose the consolidated financial with effect from 1st April 2022 onwards. Although, I shall now take you through the financials of paint business.

The total sales from paint business for Q2 FY23 stood at Rs. 64.4 crore as compared to 62.9 crore in Q2 FY22 achieved a growth of 2% year-on-year basis and grew by 24% in H1 FY23 to 119.1 crores.

Our overall volume from own manufacturing and outsourcing stood at 8,519 KL in Q2 FY23 as compared to 8,351 KL for Q2 FY22 the year-on-year growth of 2% and it grew by 16% year-on-year to 15,601 in H1 FY23. EBITDA for Q2 FY23 stood at Rs. minus 0.7 crores as compared to 3.1 crore in Q2 FY22 and stood at minus 0.5 in H1 FY23 as against 0.3 in H1 FY22. Our profit before tax was minus 1.9 crore in Q2 FY23 as compared to 0.3 crore in Q2 FY22 and for H1 FY23 it stood at minus 5.7 crores.

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

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

Prachi Sharma: I just have a couple of questions in our paint business what is the proportion of business from our own manufacturing versus what is outsourced?

Harish Agarwal: In this first half we have turnover of 119 crore against that 92 crore from own manufacturing and around 27 crore from the outsourcing business.

Prachi Sharma: Sir my next question is so as you mentioned our royalty income grew by 16% year-on-year and 22% in H1, could you tell the amount of royalty our company charged per ton?

Harish Agarwal: The average for 6 month is Rs. 384 per metric ton and the volume is in the Q2 it was 6.82 lakh metric ton as against 6.02 lakh in the last year Q2. For H1 last year it was 11.66 lakh metric ton and this year it is 14.12 lakh metric ton.

Moderator: Thank you very much. Our next question is from the line of Ashay Jain from Jain Capital. Please go ahead.



*Kamdhenu Limited
November 14, 2022*

Ashay Jain: I have a couple of questions firstly what was the branding and promotion expenses for steel business for Q2 FY23?

Harish Agarwal: In the Q2 FY23 it was 12.5 crore jointly spent by Kamdhenu as well as its franchise units.

Ashay Jain: Secondly, how is the demand scenario for paint business and how do you see it panning out going ahead?

Satish Agarwal: You see demand for paint business is continuously growing as you know the Kamdhenu is only working for the decorative segment and decorative paints and you can very well understand that the Q2 was a rainy season and we are having floods in each and every part of the country and accordingly in Tier-2, Tier-3, Tier-4 cities the demand for low price item that is distemper, putty, primer and low price enamel for emulsions was there no doubt the growth of the total volume in our unit was there, but just because of the sale of low price items the overall working and you see overall profits were not reflected accordingly as we were expecting, but now October onwards the demand for the premium products has come down and hope the Q3 will be much better than the expectation.

Moderator: Thank you very much. Our next question is from the line of Shivam from VG Brothers LLP. Please go ahead.

Shivam: Sir, I would like to ask a question actually I am somewhat new to the company, so can you just tell me some of the competitor which your company face in TMT bars?

Satish Agarwal: I want to tell that our franchise model which is there it is asset light innovative model and at Kamdhenu we had a vision around 25 years back that we want to make a good quality product for every house throughout India at a reasonable cost and I think that dream we have been able to accomplish. In our entire country we have more than 80 units across India who are making different products of Kamdhenu, TMT, structural steel, pipe, angle, channel and color coated steel so in that way we are working and in India we have a major presence in retail business share. Company has around approximately 12,000 retail dealers and apart from that the company has distributors, franchise and through this model we are able to provide the end consumers quality products with reasonable cost through minimum freight, minimum expenses.etc. and in this model like Harish has just said that this time we did around 28 lakh ton out of which around 14 lakh ton of TMT Bars we sold in 6 months and annually in entire India we have the largest retail business and if you will see in metros the builders and developers who work even they are our client. In the entire country Tier-1, Tier-2, metros, Tier-3, in rural, single storey, two storey, three storey and five storey building has been made which they make themselves. So, in that way whatever the customer requirement is there in every step sometimes 1 ton, 2 ton sometimes 5 ton that is our strength through retail and our retail network we can make this happen and more biggest strength is that in whole India wherever product is needed within 24 hours we make that product available through retail. So, in this way we have a business

model and the franchise which is there is through direct distributor to retail we are doing the invoicing and to the company we have fixed amount which is in our contract royalty in our books get reflected.

- Shivam:** Sir competitors?
- Satish Agarwal:** Competition is there throughout India and main competition through retail it is with Tata Steel. We sell more products in retail than Tata Steel and at a regional level somebody or the other regional area best friend is present if you go to Raipur you will get the diamond and if you go to North you will get something else, if you go to Bengal you will get Shyam Steel, if you go to South you get something else. So, regional areas in that area there are some good brands and one more strength is that Kamdhenu brand premium that is around Rs. 1,500 to Rs. 4,000 premium brand is the best brand of the regional area that we command and our All India weighted average is around 2,500 ton premium which Kamdhenu product does Kamdhenu brand.
- Shivam:** In South BK steel has a lot of presence so are your margins better in South from BK steel or is it like competitive?
- Satish Agarwal:** In South also we have a good price and we have a premium and in South we have a good sales and if you see in North East South West the way it is there almost.
- Harish Agarwal:** 12% sale is from the South, 20% sale comes from the West and one-third portion is from North and one third portion from East. Compared to other part of the country in South there is a less presence and there is a pressure of premium, but we command premium.
- Shivam:** Is it because of the dominant presence of BK Steel in South?
- Satish Agarwal:** Not due to dominant presence it is because we just entered South late after 10 years. We entered this business in North in 1995. In South we entered the business in say 2015. So, slowly and slowly we are progressing the sales in the South also.
- Moderator:** Thank you. Our next question is from the line of Akash Mehta from Capaz Investments. Please go ahead.
- Akash Mehta:** I had three particular questions first one is on the utilization level, so you can tell me the current utilization levels at your steel and paint business?
- Harish Agarwal:** It is around 80% capacity utilization in the steel business. In our paint business we are gradually increasing, but right now it is around 35%.
- Akash Mehta:** And second question was on the demand scenario so could you throw some light on the demand scenario for your steel products and also how is the trend in the prices of raw material?

- Harish Agarwal:** I think in the previous question it has been answered.
- Satish Agarwal:** Normally the demand of steel is 6% to 8% in India and there is a continuous growth, but Kamdhenu is converting unorganized sector into organized sector and our inorganic and organic both growth comes from the market. Anytime you see kamdhenu's growth has always been around 14-15% it is not less than that and demand definitely has been there and the biggest strength which we have at Kamdhenu is that we are able to connect to people's heart. In life we are able to make the house only one time and you can change the interior any time, but steel you cannot change so that feeling we are able to communicate to everyone. So, you will see that any product of steel it has been sold as a commodity and only TMT Bar it has been sold at a branded product and everybody is aware about the quality and you will see everybody like film star and cricketer from Amitabh Bachchan till Virat Kohli promoting TMT. So, we think that this is our big achievement that we are able to make the people aware to go in quality product. In life for house you purchase anything, but take quality product that is the big achievement for Kamdhenu.
- Akash Mehta:** Last question how do you plan to increase our franchise and dealer network as such?
- Satish Agarwal:** See this is an ongoing process like we have existing franchise and we have the proposals for new franchise also and apart from that we take the effort that our existing franchise enhances their capacity. If you see in the past whatever capacity we have build up in that more than 50%, 60% contribution is of our old franchise. The way their capacity is increasing their viability is improving and their profitability is also getting improved and we also have the internal strength that the unit which was making 1 lakh ton material ton is now making 2 lakh material ton. So, in this way through franchise route we are building up our capacity and like Harish has said that we have 38 lakh ton capacity and 50 lakh ton we will be able to complete till 24 and in the coming time the demand which is coming then accordingly we have to maintain the premium as well and we have a continuous growth and we have to expand this further that is our plan.
- Moderator:** Thank you. Our next question is from the line of Abhishek Dave from Bright Securities. Please go ahead.
- Abhishek Dave:** I would like to ask in our steel business revenues from our own facilities were up by 24% in Quarter 2 and by 44% in H1 FY23, was this growth driven by volumes or was it on account of higher realizations?
- Harish Agarwal:** Can you please repeat the question.
- Abhishek Dave:** In our steel business revenues from own facilities were up by 24% in Quarter 2 and by 44% in H1 FY23, was this growth driven by volumes or was it on account of higher realization?
- Harish Agarwal:** It was mix with the realization and with the volume. If you want to know the volume when the volume has increased from own manufacturing that is in the Q2 last year it was 25,190 metric

ton, this time it is 26,785 or for the H1 last year it was 42,108 metric ton and this time it is 51,214 metric ton. So, this is by way of volume it is increase to 22%, but in term of value it is increased to 44%.

- Abhishek Dave:** One more question can you throw some light on the CAPEX plans in your both businesses?
- Harish Agarwal:** In steel we are not having any CAPEX plan and in the paint business at a level first we would like to utilize our capacity then thereafter if we achieve the turnover of 500 to 600 crore then we are planning to have the another plant, but in the next one year or two year there is no CAPEX plan.
- Moderator:** Thank you very much. Our next question is from the line of Anup Shah from Shrinath Securities. Please go ahead.
- Anup Shah:** congratulations on the fund raise. Just wanted to understand why are we doing it in the steel business and what are our plan?
- Harish Agarwal:** Our plan is in fact we have aim to reduce our debt and to make the company zero debt and also to have the new brand positioning and the other is redefining our franchise business model. So, this is the main objective of the fund raising.
- Anup Shah:** And any update on the fund raise in the paint business?
- Harish Agarwal:** Yes we are planning on that in the last interview I appraise that around 200 crore we are planning to raise the fund in the paint business for repositioning of brand and making some CAPEX for the future after one year or two years and also some working capital. We are planning to raise the fund by inducing some strategic investors.
- Moderator:** Thank you very much. Our next question is from the line of Parth Vasani from PK Advisors. Please go ahead.
- Parth Vasani:** I just had one question sir can you tell us by when the Kamdhenu Ventures will be listed?
- Harish Agarwal:** Within this quarter. It has already got the in principal approval and it is expected that SEBI will clear the proposal in November and the corporate action and some other formalities will be complete in December itself.
- Moderator:** Thank you very much. Our next question is from the line of Sandeep Goyal from Devi Fintech. Please go ahead.
- Sandeep Goyal:** So, you just mentioned about your capacity utilization for steel business is around 80%, so is it for the franchise business?



*Kamdhenu Limited
November 14, 2022*

- Harish Agarwal:** This is our own plant.
- Sandeep Goyal:** And what about franchise?
- Harish Agarwal:** Franchise is around 60% capacity utilization.
- Sandeep Goyal:** So, is it increase or decrease from the previous one?
- Harish Agarwal:** Yes it is increasing.
- Moderator:** Thank you very much. Ladies and gentlemen that was the last question I now hand the conference over to the management for closing comments.
- Harish Agarwal:** I take this opportunity to thank you everyone for joining on the call. I hope we have been able to address all your queries. For any further information kindly get in touch with me or SGA our Investor Relation Advisor. Thank you 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.