Ref: MIL/BSE/NSE/24
Date: August 03, 2024

The Manager **Corporate Relationship Department** **BSE Limited** **1st Floor, New Trading Wing,** **Rotunda Building,** **P J Towers, Dalal Street, Fort,** **Mumbai - 400001**	**The Manager** **Listing Department** **National Stock Exchange of India Limited** **Exchange Plaza, 5th Floor,** **Plot No. C-1, Block G,** **Bandra Kurla Complex, Bandra (E),** **Mumbai - 400051**
BSE Security Code: 539400	**NSE Symbol: MALLCOM**

Dear Sir/Madam,

Sub: Transcript of conference call held with Analysts & Investors on 31st July 2024

In accordance with Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, and following our intimation dated July 31, 2024, please find enclosed the transcript of the Analysts & Investors Conference Call held on July 31, 2024, to discuss the Un-Audited financial results for the First Quarter ended June 30, 2024.

The transcript of the said conference call will also be uploaded on the Company's website at

https://mallcom.in/pages/investor-relations#Earning Call 2024-2025

This is for your kind information and record.

Thanking you

Yours faithfully
For MALLCOM (INDIA) LTD.

GAURAV RAJ Digitally signed by GAURAV RAJ
Date: 2024.08.03 12:49:59 +05'30'

Gaurav Raj
Company Secretary & Compliance Officer

Enclosed: As above

"Mallcom (India) Limited Q1 FY25 Earnings Conference Call"

July 31, 2024

MANAGEMENT:	**MR. AJAY MALL - PROMOTER AND MANAGING DIRECTOR - MALLCOM (INDIA) LIMITED** **MR. SHYAM SUNDAR AGRAWAL - CHIEF FINANCIAL OFFICER - MALLCOM (INDIA) LIMITED**
MODERATOR:	**MR. AKHIL PAREKH - BATLIVALA & KARANI SECURITIES INDIA PRIVATE LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to the Mallcom (India) Limited Q1 FY '25 Post-Result Earnings Conference Call hosted by Batlivala & Karani Securities India Private Limited.

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 phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Akhil Parekh from Batlivala & Karani Securities India Private Limited. Thank you, and over to you, sir.

Akhil Parekh: Thanks, Shlok. Good morning, everyone. On behalf of B&K Securities, I welcome you all to Mallcom (India) Limited Q1 FY 25 Conference Call.

From the Management team, we have Mr. Ajay Mall – Promoter and Managing Director; and Mr. Shyam Sundar Agrawal – Chief Financial Officer.

Without taking much time, I will hand out the call to Mr. Ajay Mall Sir, over to you for your opening remarks, post which we will open the floor for Q&A session.

Ajay Mall: So, good morning. This is Ajay Mall. Thank you. It's a pleasure to welcome you all to our Earning Conference Call for the first quarter of the financial year 24-25.

Let me first start off by thanking our hosts, B&K Securities, for hosting today's earning call. I will begin with some business highlights for the first quarter of the financial year 25, after which our CFO, Mr. Shyam Agrawal, will provide a detailed briefing on the financials.

On CAPEX front, our 1st Phase of garment facility at Chandipur, Ghatakpukur in West Bengal is now operational with full installed capacity, and we plan to add further capacity during the current financial year.

The company has commenced Phase 2 expansion at Chandipur, Ghatakpukur which is setting up of a new unit for designing and manufacturing of industrial safety shoes. The unit will have a built-up floor area of 50,000 square feet and involve a CAPEX of 20 crores with completion expected within the year ending financial year '25. For this project, we have received a conditional financial grant of 7 crores, 7.17 crores to be precise, from DPIIT, that is Ministry of Commerce and Industry.

Additionally, the Sanand-II project in Gujarat set up for manufacturing Protech work wear is also progressing as per schedule. Production is likely to commence there by September '24. The company has already invested 52 crores in this project and will invest further 30 crores before the unit becomes fully operational.

In total, a capital expenditure of 52 crores has been made and additional 30 crores will be made over the period that will be the entire CAPEX in Sanand-II which will be funded through internal accruals.

To meet the growing demand of our products in both export and domestic markets, we are increasing manufacturing capacities and investing significantly in marketing and branding efforts. We remain confident of achieving our annual targets based on market conditions and the efforts being made by our company.

Now I would like to request Mr. Shyam Agrawal – our CFO, to brief you on the Financial Performance of the company. Over to you, Shyam.

Shyam Sundar Agrawal: Thank you, sir, and good morning, everyone. Let me brief you on the consolidated financial performance for the first quarter of the Financial Year 2025.

On a consolidated basis, operating revenue stood at approximately INR 102 crores compared to around Rs. 95.00 crores during the previous year, reflecting a growth of nearly 8% year-on-year.

EBITDA was around Rs. 14.00 crores, representing a growth of 1.4% year-on-year, with EBITDA margins at 13.96%.

The net profit was reported to be close to Rs. 9 crores, which was flat year-on-year with profit after tax margins at 8.30%. The decline in EBITDA margin for the quarter on a year-on-year basis from 14.92% to 13.96% was mainly due to higher operating costs, which were largely offset by the savings in cost of goods sold.

Thank you. With this, we can now open the floor for the question-and-answer session.

Moderator: Thank you. We will now begin the question-and-answer session. The first question is from the line of Rushabh Shah from Buglerock PMS. Please go ahead.

Rushabh Shah: So, what is the life cycle of our products and how frequently do we need to replace them across all categories?

Ajay Mall: You are asking how our products are replaceable, right?

Rushabh Shah: So, what is the life cycle of our products and how frequently do we need to replace them across all categories?

Ajay Mall: So, depending on the category, the product life cycles are different. For example, when we talk about let's say cotton gloves, it is replaceable almost every day depending on again which industry they are being used. And when we talk about leather gloves in that category of gloves, for example, then they can be anything between five days to one month depending again on what kind of uses they are being put to use.

And when we talk about let's say safety shoes, it could be anything between six months to one year or even little longer also in many cases, which again depends on what kind of product or what kind of category of industry they are being used.

When we talk about garments, it could be anything between six months to one year depending again on what kind of use. When we talk about some kind of very, I mean, let's say disposable suits, it is used only once. One they use and then they are throw it. That's how we categorize the product life cycles.

Rushabh Shah: So, my next question is, how many distributors we have in India?

Ajay Mall: So, altogether we have got around 80 odd distributors, and they are in India and some of them are also in neighborhood countries.

Rushabh Shah: So, are you planning to add more in domestic markets?

Ajay Mall: Yes, we are in that mode, yes.

Rushabh Shah: So, because the follow-up question is, since Europe is an important market for us, but would we be ready to see a change of our focus and make India an important market over the years? Because see, India has seen investments in infrastructure and many other things. So, just wanted your perspective on that.

Ajay Mall: Yes, definitely India is a very important market for us, and Europe is, or America I would say, the whole of, let's say, that private label which we are calling it, internationally where we are selling product under big brands who are buying from us. So, that would also remain as our, I mean, quite an important market because, you know, we definitely would like to grow in Indian market where we are, I mean, this whole story about the PPE concept is rather new.

The market situation is still a long way for us to go in Indian market, but the focus will remain in both the market because we are operating in both the markets. So, ideally, today, maybe we have around 60-40 and that could remain like that or maybe like slightly betterment in Indian market over the period depending on how the market takes shape.

Rushabh Shah: So, my next question is, what, except for the certification, what differentiates Mallcom from the other unorganized players, except the certification part of it?

Ajay Mall: The certification itself is a big demarcation of Mallcom product versus most of the products which are available in the market. See, every safety product in India, of course, not a huge kind of compliance, compliant products are available, but then in the Western world, all the safety gears must be on a particular class or certification.

For example, it could be category 1, 2, 3, depending on what kind of uses they are being used or what kind of efficacy it should have. Based on that, these products are categorized.

In India, of course, now, Government of India is trying to make some kind of ISO standards or the equivalent to EN standard, which is getting prevalent now, but long way to go. After a long time, we could see some shoe certifications or shoe BSI certifications are being made, but in case of gloves or garment is still a long way to go for Indian market.

But definitely this is a big differentiation which Mallcom has is the certificate itself makes the product much superior because once you are qualifying for that kind of certificate, it requires you to have a particular kind of performance level, which it must attend. The moment it is attending that, so as I was explaining, this makes a difference between the local products, which are available in Indian scenario versus Mallcom product, which is certified. So, apart from the certification, which entails the product to be much superior in efficacy and in performance, which is the one.

And secondly, we have a designing aspect, which is much superior and better because of our exposure to the Western world and the Western environment, where we have been learning a lot of new ideas about to place and market our product and also to design element on that, which also makes us much, much ahead of the competition and the product category where we are.

A classic example could be shoes, for example. This is something which is more driven by efficacy than by the design, but then design is also very, very important because finally the users are very, very, I mean, interested in looking at the design kind of thing rather than just a black shoe which is just a very old and very ugly looking shoes, that way. So, these are the basic point one which Mallcom is far ahead of most of the product category available in the market.

Moderator: Thank you. The next question is from the line of Priyank Agarwal from Equirus Wealth Private Limited. Please go ahead.

Priyank Agarwal: My question is with regards to the top line, like in terms of products, if you see safety shoes, garments, leather gloves, and nitrile gloves, all in terms of Q-on-Q, it's shown a decline. So, are our products, like, what are the functionality of the products? I want to know that.

And my second question is with respect to the external demand environment, how do you see the demand environment in countries like Europe, South America, North America where we have a major revenue share?

Ajay Mall: Shyam, you will take this question, or you want me to answer?

Shyam Sundar Agrawal: Yes, I can answer this. So, on part of revenue mix, basically, we had for the quarter safety shoes, we did around 43% and garment is 29%. Gloves we did around 24% and other product category like helmet and face mask we had 4%. So, see, this revenue mix is almost it remains in the equal proportion. So, around 33%, in around 30% to 33% for the safety shoes, garment, and gloves category. So, for the quarter, we see that safety shoes is on the little bit higher side and garment is almost there 29%. Gloves is little bit on the lower side. So, for the full year we see that we should be catching up and the overall proportions would remain the same. So, we had around top line 100 crores. So, the turnover should be increasing, and the product mix should also be catching up. So, ideally, it should be in the equal range, and we look forward to that.

And regarding the second, what is your second question?

Priyank Agarwal: My second question was related to the demand environment in countries like Europe, South America, North America. How do we see that? And for the full year, how is your guidance in terms of the mix as well in terms of Asia, Europe, South America?

Ajay Mall: So, I think that, see, the demand pattern has been little bit slow in Europe and also in America. In America, we are now seeing the growth is again coming back, whereas Europe is still slightly lagging behind.

In South America, we have a traditional market. In some of the country, of course, we have a demand which has been almost, let's say, steady, which is not really declining for us, but at the same time, not really improving to a large extent, I would say, because they are also very cautious buyer because of the Americas being brother to them, they are watching the whole thing very carefully.

So, in general, the demand in the Western world is growing, but in a very slow pace because America is the only one where we can see a little bit growth, whereas the Europe is still little bit slow. But I would say that with the growth in the, so as I was mentioning that the market is okay, slightly getting into the better job, which all these while was little laggard. So, going forward, we see that things will improve. And we are making a lot of product mix changes, which also will get us into our growth journey in the Western world.

Priyank Agarwal: So, my next question is with regards to the pricing strategy, like in the domestic market and in the global market, how do we compete in terms of with the peers? And like, how are we placed? Like, are we discounting a product? So, like, what is the pricing strategy we follow?

Sir, I am asking about the pricing strategy we followed in terms of the domestic market and in terms of the global market, and how are we competing against our competitors?

Ajay Mall: See, the domestic market is our branded product, we have a different price strategy. And for the international market, it is highly competitive, so we have to follow a different strategy. In the domestic market, prices are slightly better, I would say, but don't forget that when we have a slightly better, we have to also invest a lot of money on the branding part of it, which is also there. But of course, we are creating for the future for the brand, whereas in the international market, it is not in our brand. It is mostly on the private label. So, the strategy has to be little different. That's how we are categorizing.

Priyank Agarwal: And sir, one last question is that, so how is the private label sales mix like as of this quarter and like how do we see it forward?

Ajay Mall: Now we have, I mean, our idea is to push more on the branded product than on private label, but then going forward, in my opinion, we can have almost a good mix of 50-50 kind of thing where we will have both the market with us and of course the volume itself will grow. So, both the angles will have the maximum benefit. We don't want to have the completely reliance on our own branded product because the market which we have created in our private label sales also is good enough and that also brings revenue and that also keeps us updated on the international market scenario.

Moderator: Thank you. The next question is from the line of Shikhar Mundra from Vivog Commercial Limited. Please go ahead.

Shikhar Mundra: What are the present capacity utilizations currently?

Shyam Sundar Agrawal: Yes, it depends upon different product categories. So, talking of garment, we are almost now picking up and reaching the capacity, installed capacity. So, almost, I would say, around 90% we are utilizing the installed capacity.

In case of safety shoes also, it is similar, but installed capacity and need-based we can always increase the capacity. So, if there is volume and demand, then there are alternate options, like going for fabrication or increasing the shifts also. So, that is possible.

So, talking of only installed capacity, which is on an eight-hour basis, safety shoes and the garments where we are almost utilizing our capacity. And in case of leather gloves and nitrile gloves, yes, it is a little bit on the lower side. So, maybe around 70% we are utilizing as of now.

Shikhar Mundra: And what will be our peak capacities after these two expansions, the West Bengal expansion, and the Gujarat expansion? What will be the peak revenue potential after these expansions?

Shyam Sundar Agrawal: So, see, like this Gujarat expansion is basically the completely Greenfield project and on the full capacity utilization, we expect around 100 crore top line growth from there. And in case of the Bengal expansion, which we have done, as of now it is more of replacement of garment-making facilities from all units to units. But during the year also, we need to plan additional capacity to be built up there. So, maybe, AKM, how much we expect, you can just mention.

Shikhar Mundra: And what kind of revenue growth are we looking for the whole year?

Shyam Sundar Agrawal: So, it should be in the range of 15% to 20%. So, we have this stated target of reaching 1,000 crore turnover by FY '28. So, we need to have around 20% turnover year-on-year of growth. So, this is what 15% to 20% we will target, depending upon the market, definitely.

Shikhar Mundra: Because the first quarter was a little slow on growth. So, will we be able to?

Ajay Mall: So, normally it remains, yes, so that is the pattern, but we have growth over year-on-year, you see 8% growth is there, and we will be catching up there.

Shikhar Mundra: And what is the current mix between domestic and exports like India versus exports? India versus exports mix, how much is domestic? How much is exports?

Shyam Sundar Agrawal: For the quarter, it is almost domestic is around 42% and export is 58%.

Shikhar Mundra: And when we have a target of reaching 1,000 crores by FY '28, will the mix look similar, or will a domestic mix be much higher?

Shyam Sundar Agrawal: Yes, this is what our MD just said that we expect growth in both the segments, but at best, the Indian market is growing faster. So, we should have it in the range of 50-50.

Shikhar Mundra: And one last question about the market share. So, what is the market share in India currently and how is this industry? Like, how much of it is organized players, how much of it is unorganized players? How is the industry structure?

Shyam Sundar Agrawal: So, it is almost market size is around 15,000 Cr, out of which we expect that 50-50, around 50% is organized, 50% is unorganized. So, within organized, our market share would be around 3% to 4%. So, there are around 15-20 big players having similar market share and the rest are small players. So, an organized market is around 7,500 crores and similar to an unorganized market. That is just an estimate.

Shikhar Mundra: And how is the shift happening? Like, what was this unorganized market like 5 years back? Like, how is the trend?

Shyam Sundar Agrawal: Yes, it is improving. So, it is improving. So, whatever you see for the last few years we have growth in the range of 15% to 20% in the market. So, this market is growing faster than other markets. So, this is happening because of the quality product demand as well as market shifting, increase in product awareness, product availability also, and due to that market shifting from unorganized to organized and that's why the turnover is increasing also.

Moderator: Thank you. The next question is from the line of Tushar Vasuja from Yogya Capital. Please go ahead.

Tushar Vasuja: My first question is, can you talk a bit about your Protech work gear expansion in Sanand? Like, what the product would be? Why are you foraying into it? What sort of market size is there and how much of that market size would you be able to capture?

Ajay Mall: So, this product Protech when we all say so protective gear. So, we will have the plan to put the PU dipped gloves, the nitrile gloves, also the helmets and also the eyeglasses. This is the product category just now we have the plan to put up there in Sanand II. Now the market size, we have different product category in a different, first of all, these products at the moment in PU as well as the nitrile for the local manufacturing, none is doing it. There are a couple of them, two, three of them, they are all doing for export like us.

We also have the export unit for these products, which, for example, NBR, but then for the local market, none of the product, I mean, none of the factory or the units in India are doing. So, we will be one who will be doing it Indian production for Indian market.

Now, at the moment, these all products are being imported. I mean, when we talk about all these products, that means PU or nitrile dipped gloves. They are imported and being sold in the Indian market. Quality what is imported are largely coming from China, which is not a good efficacy kind of product. They are all, I would say, seconds or reject quality, which is coming, and this is not a very good situation for the Indian users. So, that's where we would like to play a role by providing a right kind of safety hand gloves, which we will do it out of that factory.

So, now, so far as the helmets are concerned, this production we have some production capability in Calcutta which also is going to be moved there because of the larger volume which we are anticipating to come out of it and that will be there in Sanand. And then in due course of time, we will also integrate with the eyeglasses or eyewear, which will also be having a good potential for us in the market because at the moment, these are also made in India in, I think, one or two player only, which is not in a big way, which we will be doing in a big way. So, these are the product category we will be doing there in Sanand-II.

The market size for this as I say that this is when we talk of head, it is one third of the total PPE market and for gloves also is one third of the total PPE market in India. So, you can extrapolate the figure of, let's say, around 7,000 or 8,000 crores, which is one third would be head, but then in head there are many products, right. To pinpoint absolutely one product will be very difficult for us, but this is how we are categorizing.

So, the market size still remains quite big. And there our intervention by production of these items will still be very minuscule as you can extrapolate. I hope I have been able to answer your question.

Tushar Vasuja: Sir, was there a delay for commercialization of Sanand-II in any capacity?

Ajay Mall: Actually not really a delay because we are, I would say, slightly behind schedule by maybe 15 or 20 days. So, by mid of September, we should start the 1st Phase of the production, which will be PU gloves and then in another one month's time, we will also have the NBR gloves starting. So, this will be well within because we were targeting to start within September. So, it will be maybe 30 days delay or something like that, which is one by one we will start the machines.

Tushar Vasuja: And sir, who are your domestic competitors in terms of regulated, like those who have certifications? Who are your competitors over there?

Ajay Mall: So, there are, you know, arranging everything in a product basket like what we are doing not really a large or many of them. To nearest a competition who is having, let's say, a little bigger basket of offering, little bit lower than us, of course, but then they are like Karam, for example, or Udyogi, right? But then they are not producing everything. They are just doing some Polyesters or helmets, but then others they are outsourcing, whereas we are doing a lot of products ourselves. So, these are the organized players. Then many of them are there, but only confined to one product category.

Tushar Vasuja: And sir, another question, you mentioned utilization rate for this quarter. Garments is around 90%, safety shoes around 90% and gloves around 70%. If you compare this to the previous quarter, it has actually improved. But quarter-on-quarter, our revenue has actually decreased. So, like, I am not able to understand that. Can you please talk a bit about it?

Shyam Sundar Agrawal: Yes, we have growth in turnover. So, it is around 8% growth there. So, utilization level we are a little bit on the higher side. So, we have higher turnover also.

Tushar Vasuja: Yes, that's what I am trying to say, in this quarter, you actually had a de-growth quarter-on-quarter.

Ajay Mall: I think you are comparing with the quarter of previous quarter. I think we are always comparing with the quarter on the year before, right? So, the first quarter of '24 to the first quarter of '25, we have the growth. When you compare with the last quarter of '24 with the first quarter of '25, of course, there is not a growth because there is some seasonality effect on the whole sales revenue stream if you look at it.

Tushar Vasuja: Sir, last question, you mentioned about the pricing difference in exports and domestic. So, is there a difference in margins also? Can you please explain that?

Ajay Mall: Yes. There is a slight difference in the margins and not only margins, but also there is a difference in the payment terms and conditions and a lot of other kinds of regulations. So, you know, there are many risks also when you are exporting, whereas in the case of the local market, the risk is also mitigated. So, there are various kinds of commercial elements which we have to understand before we analyze both these revenue streams. So, to answer very candidly on your point, yes, we have a little better margin in the branded product, what we do.

Moderator: Thank you. The next question is from the line of Anik Mitra from Sinnomix. Please go ahead.

Anik Mitra: Sir, my first question is, are your products attracting any PLI benefits?

Ajay Mall: We do have many products which has a PLI benefit, but we are not in that category. We are not putting that much of money on plant and machinery to claim that PLI.

Anik Mitra: Sir, what kind of investment or what is the criteria to get that PLI benefit?

Shyam Sundar Agrawal: Yes, it is 100 crore. So, as of now in textile category, we are not investing 100 crore. So, that is not, we are not eligible.

Anik Mitra: Sir, is there any impact of current container shortage and weight-free crisis on your margin or in the export demand?

Ajay Mall: A very, very relevant question, I must say. Yes. So, there is a container crisis. There is a big turmoil because of the Red Sea and also because of the situation today that container shortage has happened because not too much inward cargo coming in, things like that, which is quite obvious.

But, you know, most of our sales revenues are on a FOB basis. So, it's a trouble which is more for the buyer. But yes, their travel is also our travel, and we also face this heat sometimes because the customer may cancel the order or may try to bounce back on us. So, we try to do as much and the best we can do.

It is a little bit hurting our margins also in many cases because when we want to help the customer even though it is on FOB or CIF and we are not getting the container, for example, later shipment has to be done in Calcutta, we move it to Mumbai or somewhere so that we can get the container and can get the connection. So, that it's a little bit of the logistic cost from our pocket. I hope I have been able to answer your question.

Anik Mitra: Sir, I have one additional question related to this, what was the, like if you can quantify in terms of basis point, what was the impact in Q1 FY '25?

Ajay Mall: I am sorry, I don't have the data. Shyam, if he has, I don’t know.

Shyam Sundar Agrawal: No, no, that we need to, see, basically, it is not comparable. See, what we do sometimes we are selling on CIF basis, sometimes we are selling on FOB basis, and the figures will never be comparable. So, I can say that yes, there is some cost pressure there, but not quantifiable as of now.

Anik Mitra: Ajay, sir, I have one more question related to the competitive landscape in the international market. Sir, what is the competitive landscape in the international market now?

Ajay Mall: See, to be on a broader perspective, I would say it is rather looking very good. If you talk about competitiveness landscape, so far as India is concerned, it looks so bright because of all of the geopolitical regions. America, for example, is very much bound to make China plus One policy, which is making India as one of the preferred next vendor.

Then in Australia, for example, already this has happened, and we have the FTA, which has been signed. Similarly, with the Middle East also, the FTA with India has been signed in Dubai. Similarly, the European Union is also now looking at FTA. Even England is also looking at FTA. So, these all landscapes are going to be very beneficial for the Indian competitiveness.

So, going forward, with these all-assembled points, I would say that yes, we have a very interesting spot where we are in so far as the Indian product export scenario internationally is concerned.

Anik Mitra: Sir, China Plus One is an old story. In last couple of years, like what kind of benefit you are deriving from the U.S. market because of this China plus One strategy?

Ajay Mall: See, the China plus One strategy is only two years old story, right? Or rather three, let's say, maximum, right?

Anik Mitra: Two to three.

Ajay Mall: But you know, the results are still to be tested, right? We are all talking. See, you will understand that when you talk about any large, let's say, company to look for India as an alternate supplier, now it's not so simple as it looks like because when we talk about the capacity, so in our domain of PPE, which is, let's say, almost 70% catered by China, and we are only 7% or 8% catered by India. So, we are one-tenth of their size, right? So, anybody for that matter, coming to India and asking for some kind of volume, I don't think we are really ready to handle that.

So, this is something very, very fundamental to understand the market dynamics, that even the Americans or the larger corporates who would like to buy and source from India, they have to figure out the larger capacity and that's where we exactly at Mallcom are trying to build up. We are building up capacity so that we can extract these large customers who can really bank upon us and can buy from us. So, this is how I will put it.

Anik Mitra: So, sir, at this point in time, capacity is the biggest constraint for this transition from China to India.

Ajay Mall: Yes, yes. This is what we have identified. This is what we are trying to achieve.

Anik Mitra: Sir, any timeline like you can achieve that level?

Ajay Mall: See, we are in the journey, we are in the process, right? Sanand-II, for example, is a large capacity we are building up even in Ghatakpukur here in West Bengal, we are putting up a large factory just to build up that capability so that we can cater to these larger customers in a big way.

Anik Mitra: Yes, sir. I visited your Ghatakpukur capacity as well.

Moderator: Thank you. The next question is from the line of Abdul Kadir, which is an individual investor. Please go ahead.

Abdul Kadir: Sir, my question is regarding the certification part. So, just wanted to know, like, what is the government doing to make this certification mandatory for players like us? Because I feel like this would be the differentiation between the organized and the unorganized player. So, just wanted to understand more about the certification part for our products.

Ajay Mall: See, about the certification, there are two angles, right? The Government of India, for example, is giving BIS certification, for example, some of the products, right? This is one part of it. But that itself is not propelling the whole scenario of market, right? So, the market, for example, today, if you buy any product, right, for example, any consumer product, like a pressure cooker, for example, let's say, you will have the pressure cooker, which is ISI standard. There are many pressure cookers which are not ISI standard, right?

Now, in the market, the customer has to be aware of what he has to buy, right? And the customer is buying based upon his pocket, based upon his own idea and judgment, and based upon the salesman's push about what are the products the salesman would like to sell, right? So, based on these all the scenario, he would buy.

Similarly, in these products category of ours where the ISI or the BIS standards are there, when manufacturers are doing it as per their suitability or their own calculation of what kind of product category they would like to do, what kind of a product, whether certified or uncertified, but then it's a market which will decide and market will decide the buying of the safety product will be based on the government policy and regulation and enforcement, which Government of India has to propel now and which is doing for OSH, which is coming in place.

Worker safety has to become a very, very important thing for the statute, for the government, for the people, for the industry, for everybody who is doing the work on the workplace, they must be protected. The moment that kind of rule becomes more and more, I mean, enforced, the demand for the legitimate and the certified product will automatically be growing because that is what is required by everybody to be used. So, I would put in this way. I hope I am clear.

Abdul Kadir: So, are we seeing those things being done from the government side, as you said, like, the government has to make more strides for this. So, are they doing it?

Ajay Mall: Yes. No, no, of course, Government of India has of late been trying to propagate on the worker safety. OSH code has been put in place. See why today, even since 1947, they have put Factories Act where the industrial safety is also important subject, but the enforcement or the laws are not so stringent, number one.

Number two, there are not so many rules to have incorporated for the industries to use certified and the efficacy product so that worker safety is paramount. That has not been done. So, once the government starts enforcing these rules by making stringent provisions, automatically people will start doing it.

Moderator: Thank you. The next question is from the line of Udaykumar Shah, which is an individual investor.

Udaykumar Shah: One is regarding some property development partnership which we have and when the cash flow will start and how much? And second is expectation of FTA that can help us for your country, particularly for United Kingdom.

Ajay Mall: The property development, our old factory, which was on outskirt of Calcutta, which we had already intimated that we will be moving to Ghatakpukur, which we have moved. The land is already offered to a joint venture partner who would be developing it. The paperwork and everything is going on. The clearance from the government is pending. So, the moment clearance of the government and everything is done, then, of course, the project will start and of course, we will be participating in the benefit of the same. That will be there.

So, the timeline is, we wanted this to happen as quickly as possible, but the government work takes a little longer time. But we anticipate within this year, we should have a very clear picture of the deadline of this would be there. Because once we have the clearance from the government, we will be in a position to monetize this whole thing. So, at least we will know what exactly the timeline is while we will finish the project and we will be able to cash out our part of it, that we will be able to do by March '25, I would say.

And about your next point of FTA with England, yes, we are looking forward. In fact, it's a very traditional market of Western Europe which has largely been buying such kind of product out of China. Indian buying for English market for these kind of products has not been so big in volume. Once this FTA is in place, we will have a, let's say, advantage of almost 10% of the duty which will be eliminated. Of course, we have a better chance to market in England.

Moderator: Thank you. The next question is from the line of Rushabh Shah from Buglerock PMS. Please go ahead.

Rushabh Shah: What will be the trigger point of your company in the coming years? And what will change the nature of Mallcom?

Ajay Mall: I don't understand your point.

Shyam Sundar Agrawal: The nature for trigger, what trigger we expect for the coming years?

Rushabh Shah: Yes.

Ajay Mall: Trigger? Trigger as in what?

Rushabh Shah: On the growth side.

Ajay Mall: Yes. See, the growth story which we were trying to propel was (+15%) kind of a growth we must see year-on-year. That is what we are trying to achieve, and we are still propelling towards that. We are taking care of all the factors globally because of the internal market being 60% of our total revenue coming from there. That also last year, for example, was slightly deteriorated our story, but then that's improving going forward. And looking to the various opportunities coming out of America, South America, Australia also, which is also looking quite good, I would say. So, we have that kind of conception in place, and we look forward that we will be able to achieve that.

Moderator: Thank you. The next question is from the line of Shikhar Mundra from Vivog Commercial Limited. Please go ahead.

Shikhar Mundra: So, I get it the Indian market is growing fast, but in order to achieve our target of 1,000 crores by FY '28, our export market also has to grow by 15%-18% per year. And I believe export markets are a bit saturated. So, what is our strategy? Are we entering new geographies or how are we improving our global market share? Like, what is our strategy?

Ajay Mall: Yes, I mean, global market share has to be also with that kind of ratio, as you rightly mentioned. Yes, we are definitely expanding our customer base in America, in Australia, in MENA region, that's Middle East region also. In Africa, we are also trying to make inroads there. So, these are the new geography where we are trying to put forward our feet. Apart from our present customer bases in western world where we have, we are also trying to create a bigger product basket by offering, for example, one customer buying A product, we are also trying to push in for the B product because we have a long-term customer relationship and that also helps us in offering the different product basket which we have so that that also can bring us little more revenue. So, that's how we are trying to build it up.

Moderator: Thank you. The next question is from the line of Aradhana Jain from B&K Securities. Please go ahead.

Aradhana Jain: I just have two bookkeeping questions. One, I see that your gross margins have increased by 300 bps year-on-year. So, what is the reason for that? And secondly, the other expenses have also grown by 31% year-on-year. So, what are the reasons for that?

Shyam Sundar Agrawal: Yes, as we already, through investor presentation, we have already mentioned that, you know, gross margin has improved because of lower cost of goods sold. So, yes, on the raw material side, we had some savings. So, there we had some better margins. And what is your second question?

Aradhana Jain: The other expenses have also increased. So, any one off…

Shyam Sundar Agrawal: Other expenses, as you know, as our MD also mentioned that we are investing into, you know, we had some higher cost on freight side, as well as we had some marketing and branding expenses also, we are incurring. So, there also we had. And for the first quarter, we have lower turnover, so higher overheads.

Aradhana Jain: And I also wanted to understand the seasonality related to the business. So, if you could just tell us how it works, like quarter-on-quarter, how does the seasonality move? There is any particular quarter where you see more revenue and what is the reason for that?

Ajay Mall: Yes, I can take it. So, Aradhana Jain. So, now, seasonal criteria is applicable globally. Even in India also, we have some seasonality. Ironically, the seasonal effects are little on the riverside so far in India and the rest of the world is concerned.

Just to give you an example, in the last quarter, that is from January to March, now this quarter is supposed to be very good quarter so far as the export turnovers are concerned or the export market is concerned. Most of the time, the seasonality starts when we talk about first, second, third and fourth quarter.

The first one and two quarters are low so far as the western world is concerned because they are having the summertime. They are not in a mood to make a lot of inventory in their warehouse. They don't buy too much. And the third and fourth quarter goes up because before they come back from the holidays in August, September, they would like to have the stocks so that they can sell and things like that and then continues till March. So, this is how the whole propelling happens so far as the international market is concerned.

So, far as the local market is concerned, you will find the fourth quarter is always very low because the budgetary expenditures for the big factories and the big companies goes little down. They don't want to spend more money during the last quarter because they are ending their year and they don't have the budget, so they don't do it. So, that's how it is a little bit lower. So, this is how the seasonality affects the business. I hope I have been able to answer.

Aradhana Jain: The next question that I have is with respect to your current debt levels if you could throw some light on that. And what we understand is your borrowings are primarily for meeting your working capital requirements. So, I believe the incremental 50-60 crores of CAPEX that we are talking of, will be funded through internal accruals, and we don't plan to take any borrowings or external borrowings for the same, right?

Shyam Sundar Agrawal: Yes, that is right. So, as of now there is no long-term borrowing, and we don't plan to borrow anything. So, we have planned our investment CAPEX in line with the expected cash accruals. And regarding borrowing, working capital borrowing, yes, we are, as of now, it is similar to last year level, a little bit on the higher side, but not much. So, maybe still we are enjoying almost 80% of our sanction limit for working capital and we do have some liquid investment also against the same. So, that is the overall debt position as on debt.

Moderator: Thank you very much. As there are no further questions from the participants, I now hand the conference over to the Management of Mallcom (India) Limited for closing remarks. I request the Management to go ahead with the closing remarks.

Shyam Sundar Agrawal: So, thank you all for participating in this Earnings Conference Call. I hope we were able to answer your questions satisfactorily, and at the same time offer insight into our business. If you have any further questions or would like to know more about the company, please reach out to our Investor Relations Managers at Valorem Advisors. Thank you. Stay safe and stay healthy.

Moderator: Thank you very much, sir. On behalf of Batlivala & Karani Securities, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.