Ref: MIL/BSE/NSE/23
Date: November 17, 2023

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

Dear Sir/Madam,

Sub: Earnings Call Transcript

Pursuant to Regulation 46 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the transcript of the audio call recording of the Company's Investor / Analyst Call held on 15th November, 2023, on the Un-audited Standalone and Consolidated Financial Results of the Company for the quarter and half year ended 30th September, 2023 is attached herewith. It is hereby confirmed that no unpublished price sensitive information was shared / discussed in the call. The transcript of recording can also be accessed on the Company's website, from the attached link: *https://mallcom.in/pages/investor-relations/shareholder-information#Earnings_Call_2023-2024.*

This is for your kind information and record.

Thanking you

Yours faithfully
For **Mallcom (India) Ltd.**

SHALINI OJHA
Digitally signed by SHALINI OJHA
Date: 2023.11.17 18:07:13 +05'30'

Shalini Ojha
Company Secretary and Compliance officer

Enclosed: As above

MALLCOM (INDIA) LIMITED

Q2 FY24 & H1 FY24 Earnings Conference Call

Wednesday, November 15th, 2023

MANAGEMENT PARTICIPANTS

Mr. Rohit Mall: General Manager

Mr. Shyam Sundar Agrawal: Chief Financial Officer

Mallcom (India) Limited
Q2 FY24 Earnings Conference Call
November 15, 2023

Moderator: Ladies and gentlemen, good day and welcome to the Mallcom (India) Limited Q2 FY24 Earnings Conference Call. 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 star and then zero on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Ms. Purvangi Jain from Valorem Advisors. Thank you and over to you, Ms. Purvangi Jain.

Purvangi Jain: Good morning, everyone. My name is Purvangi Jain from Valorem Advisors. We represent the Investor Relations for Mallcom (India) Limited.

On behalf of the company, I would like to thank you all for participating in the Company's Earnings Call for the Second Quarter and First Half of the Financial Year 2024.

Before we begin, let me mention a short cautionary statement: Some of the statements made in today's earnings call may be forward-looking in nature. Such forward-looking statements are subject to risks and uncertainties, which could cause actual results to differ from those anticipated. Such statements are based on management's beliefs as well as assumptions made by and information currently available to the management. Audiences are cautioned not to place any undue reliance on these forward-looking statements in making an investment decision. The purpose of today's earnings call is probably to educate and bring awareness about the company's fundamental business and financial quarter under review.

Now, let me introduce you to the management participating with us in today's earnings call and hand it over to them for their opening remarks. We have with us, Mr. Rohit Mall --General Manager and Mr. Shyam Sunder Aggarwal, Chief Financial Officer. Without any further delay, I request Mr. Rohit Mall to start with his opening remarks. Thank you and over to you, sir.

Rohit Mall: Thank you, Purvangi. It is a pleasure to welcome you all to our Earnings Conference Call for the Second Quarter and the First Half of Financial Year 2024.

Firstly, let me thank all the participants joining us today and I hope everyone is keeping safe and well. Also wishing you all a Very Happy Diwali.

I'm delighted to announce the Sanand Project for Protect Safety Gear, focusing on the production of synthetic safety gloves was initiated in the first quarter of the financial year 2024. It has progressed according to the outline plan barring some unforeseen rainfall in Gujarat region and the company anticipates the completion of civil work by the end of the current financial year. Commercial production is planned to commence at the start of the second quarter of financial year 2025. In addition to the projected milestones, the company unveiled a new catalog featuring an expanded range of high-performance gloves and introduced new styles of safety shoes. Throughout the quarter, the company actively participated in various international and domestic trade fairs, including the largest fair for OSH, which is in A+A Dusseldorf in Germany and NSC Safety Expo in US. The response from the customers at these events were encouraging. However, there are two major factors which shall explain the degrowth in the export market, particularly with nitrile gloves and workwear.

Firstly, as you all know, the European market has dampened. This is because of the ongoing war, economic troubles like inflation, higher interest rate, energy crisis, etc., And this being coupled with China dumping their products like nitrile gloves to the market at very cheap rates to maintain the market share has caused the degrowth in this category for this geography. To counter this, we are putting more emphasis on R&D for these kind of gloves and also introducing newer product categories like the thermal gloves, a major chunk of which will happen in Sanand. So, we are hopeful that we will be able to overcome this crisis. We are also expanding into newer markets like Australia, America and even in India for these kind of gloves.

The second issue is fabric supply chain issue which we have faced with one of our leading mills in India. They have retracted from production of some of the fabrics that we were doing and therefore we had a loss due to supply chain issues. Again, to counter this, we are developing alternate supply chains from different leading mills in India. However, since these fabrics are technical and take time to certify, and because these are for the export market, it will take a little effort before we start doing it. We have already started stocking fabrics and finished goods in this regard. Notably, the company achieved a significant milestone by becoming one of the pioneers in the industry to obtain ISO 14,001 certification, highlighting its commitment to environmental management.

Now, I will request Mr. Shyam Aggarwal, our CFO to give a briefing about the Quarterly and Half Yearly Financials.

Shyam S. Aggarwal: Thank you, Rohit, and good morning to all the participants. Happy Deepavali.

I would like to provide an overview of our financial performance for the second quarter and first half of the financial year 2024. In the second quarter, the company achieved operating revenue of 108 crores, registering a year-on-year decline of 2%. EBITDA for the quarter was flat year-on-year at Rs. 15 crores, resulting in EBITDA margin of 14.22%. The quarterly net profit amounted to Rs.9 crores, translating to PAT margin of 8.49%. Over the half year period, the company operating revenue grew by around 2% to INR203 crores. EBITDA grew by 8% year-on-year reaching to around Rs.30 crores. EBITDA margin expanded to 14.60%. The rise in EBITDA for H1 '24 was primarily attributed due to cost saving raw material by 35 basis points and manufacturing along with other operational cost by 38 basis points. The net profit for the half year grew by 8% year-on-year to 18 crore with PAT margin reported 8.73%.

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

Moderator: We will now begin the question-and-answer session. The first question is from the line of Disha Sheth from Anvil. Please go ahead.

Disha Sheth: We wanted to ask you that in last so many years, our gross block has been 80 crores and in the coming two years, we plan to invest another 120 crores, so, we are almost doubling our gross block. So what change has come and what confidence has come in the last 18 months that we are doubling our gross block?

Shyam S. Aggarwal: Over the last four years, almost Rs.100 crores we have invested and for the current financial year Rs.20 crores more we want to invest, in current FY first half we have invested around 10 crores. So, for the future, it would be now at a slower rate. For this year, the total CAPEX would be in the range of 30, 35 crores, 10 crores we have already done and 20 to 25 crores is a plan. Basically, we are a 40-year-old company and the entire block is like we wanted a replacement of this and to create a platform where we have a stated turnover target by FY'28, we would like to have Rs.1,000 turnover and to achieve that we needed a platform and as we are expanding into our product category like garmenting and synthetic glass and shoes also. So, the platform is now almost being created and we target to have additional volume and turnover out of this new platform also.

Disha Sheth: Going forward after FY24, our CAPEX would be only the maintenance CAPEX if I'm getting right?

Shyam S. Aggarwal: Basically, we have some future investment plans depending upon the market situation. So, we can have expansion in our unit also, we can do an expansion our Sanand project also, but as of now the planned investment is in the range of 30, 35 max.

Disha Sheth: In terms of guidance of Rs.1,000 crores by FY28 what kind of gross margins and EBITDA margins because of more operating leverage. So, what are we looking at -- at the current level, would it be sustainable or we'll improve as we achieve the 1,000 crores?

Shyam S. Aggarwal: So, current levels should be sustainable. In the range of 14% to 15% should be the EBITDA margin minimum, which we are targeting and definitely due to operational efficiency we should have, we will target better margin, but as of now we maintain the level of EBITDA margin which we are having now in the range of 14% to 15%.

Disha Sheth: Sir, over the last 10 years, our gross margins have been improving like it was 30% and now it is 40%-plus. So, is the gross margin sustainable and any scope of further improvement in gross margins from 40% levels?

Shyam S. Aggarwal: This is what we are targeting. So, what we have done is from a PPE manufacturer we have been moving towards more of value-added products where there would be lesser companies and you can have better margins. So, that is our strategy. And you will see that for the past few years, we have improved margin and that we would like to maintain with the the projected or current product mix which we are doing now.

Disha Sheth: So, the 40% will improve because we are going into more expanded capacity of value added or it will sustain at current levels?

Shyam S. Aggarwal: It should sustain at least, yes.

Disha Sheth: In terms of key competitors, how are we placed – is it more from India, China if you can help us understand?

Rohit Mall: So yes, China, I think still is a major competition in the global market and then there are competitors in India, Pakistan, Sri Lanka, Vietnam, these kind of places where manufacturing costs are still low and you have access to raw materials, so yes, Southeast Asia, I would say mostly.

Disha Sheth: Sir, in terms of India, how much market share we have and how much we had three years back, so just wanted to see an improvement in market share?

Rohit Mall: Yes, in India it is very difficult to estimate because there have been no market study as such, so, it won't be right to comment on the market share data, we are not aware of this this data.

Disha Sheth: How many competitors are there, any ballpark figure or anything?

Rohit Mall: You mean in India or globally?

Disha Sheth: Yes, in India.

Rohit Mall: In India, see, because there are 4-5 different categories. So, for each category there will be at least 8 to 10 organized players and then there will be a similar number of probably unorganized players as well per category. And I mean per head per hand for body per feet and for fall protection. So yes, you can estimate the numbers.

Disha Sheth: Any ballpark figure on how much is the size of global market and what rate it is growing at?

Rohit Mall: So again, this is from the study. So, the estimate was almost $60 billion and probably growing at anywhere between 1% to 2%.

Disha Sheth: And in terms of India market?

Rohit Mall: Should be around 12,000 to 15,000 crores, this is both organized and unorganized and would be growing at a higher rate, I think probably 8%, 10%.

Disha Sheth: Sir, so much CAPEX is spent by many private sectors. So, any thoughts on like it is growing faster than in the past or anything which is helping the growth of the industry and the company and the Rs.1,000 crores top line figure?

Rohit Mall: Definitely, the growth for us has been accelerated in the last 4-5 years, especially in the domestic market. So that's why Mr. Shyam also mentioned that's why we investing in CAPEX. So, the growth has been there we are hoping for a sustained growth like this in the coming year.

Disha Sheth: So, how much is the replacement cycle of each of our products like shoes, head protection, garments?

Rohit Mall: It's different for each shoes. Anytime between 6 to 12 months helmet the first time it gets hit by an impact or five years, whichever comes earlier. Different kinds of gloves have different, so some gloves they use for a day or two days max and some will last for three months as well. Masks again eight hours shift. So different for different category.

Disha Sheth: In terms of margins, which category has the highest margins in shoes, head protection, garments?

Rohit Mall: It depends on the market and the category. So, it's not per category basis. Even for leather gloves, it's not like that. So, it depends on the market export or domestic and it depends on the product category.

Disha Sheth: In terms of leather, what we use is real leather, synthetic leather?

Rohit Mall: There's nothing called a synthetic leather. Leather means it is height.

Disha Sheth: That would be how much proportion of our raw material?

Shyam S. Aggarwal: I think would be around 10%.

Disha Sheth: Other raw materials would consider how much, textile would be major -?

Rohit Mall: We have textiles, we have polymers, we have PU which is a big material for us and then we have NBR.

Disha Sheth: Proportion if you can give like leather is 10% of raw material basket?

Shyam S. Aggarwal: Just to clarify, 10% is related to leather plus only and we manufacture shoes also, there also around 20% of my total raw material leather is also required for suits.

Rohit Mall: I think it will be a fair estimate to say that they're almost equally anywhere between 20% to 30% for fabric, for PU, for leather and for NBR.

Moderator: The next question is from the line is Darshil Jhaveri from Crown Capital. Please go ahead.

Darshil Jhaveri: So just wanted to ask one question regarding our supply chain. We said, we are facing some issues. So, could you quantify how much revenue we lost because of that or would that impact come more in Q3?

Rohit Mall: Yes, it will be a culmination of Q2 and Q3 as well is what you're seeing. So almost our monthly turnover for work especially I think it's almost halved if I'm not wrong. It started impacting from let's say June, July and it's still ongoing, and we hope to get back in track from January or February. So yes, that's how much it's impacted.

Darshil Jhaveri: Our monthly loss, what has happened, I could not -.

Rohit Mall: Garments workwear.

Shyam S. Aggarwal: See garment contribution normally in the total turnover remains around 30%, 31%. So current half it is 26%, so almost 5% of turnover from garment only we lost because of the supply chain.

Darshil Jhaveri: So, that we hope by Jan might should be on track, correct?

Rohit Mall: Yes.

Darshil Jhaveri: So just also wanted to know, sir, as like our target for Rs.1,000 crores, how would the ramp up in revenue be, would it be more rare ended or it will be continuous increase in revenue, ladder type increase or would it be like a straight continuous increase or maybe the capacity comes in and maybe after a year or two there'll be higher growth jump, just wanted to get a sense?

Shyam S. Aggarwal: We target 15% CAGR, so it should be sort of like a continuous growth. For the current period also, we are managing, we have sufficient capacity, and with the additional capacities once it is ready, we will try to push, then it becomes more of marketing thing and year-on-year the market also needs to grow. So, with the capacities we target that minimum 15%, 16% cases should be there.

Darshil Jhaveri: That we would be able to do that much in FY24 as well, right because of our fabric thing if it is a bit muted in a sense?

Shyam S. Aggarwal: So, we stick with our earlier target but as we mentioned there were some supply chain issues and the markets also like Europe not performing as we wanted. So, still for the full year, the target remains the same.

Darshil Jhaveri: We've been able to increase our gross profits and margins are also steadily increased. So, a lot of this would be a function of our value add or is it that we are able to get higher realization for the same product or our product mix is changing, that is why we've been able to push margins and that trajectory will continue, sir?

Shyam S. Aggarwal: The product mix almost remains same. So, it is more of market shifting from as of now from local market under our own brand from export market. So there the growth is more, but margins are more or less stable in all product categories which we are trying to do and in future also we see that the mix should remain almost similar, definitely the growth should be higher in domestic market. So, that's why I stated earlier that the margins should be steady nd let us see with the expansion how can we improve on that.

Darshil Jhaveri: If I could summarize, maybe our EBITDA margin would be the same, but because we are getting higher EBITDA our PAT would maybe be at a higher percentage than what it is currently, I think is from my understanding?

Shyam S. Aggarwal: Yes.

Darshil Jhaveri: Any kind of risk that we see per se, because I currently could not see any kind of risk that could hamper our growth, but being in the industry, could you just call to attention if you feel that some part that could negatively impact us?

Rohit Mall: We're already in that risk period, right? So, supply chain issue risk is something that everybody faces and we are not special to that, we are currently facing that is the market risk, again something that we're facing currently because of the Europe market being a little damp. So yes, these are the kind of risks that we're facing. And other than that, there could be risk like preferential treatment to other countries, for example, recently, there are benefits given to underdeveloped economies, such as Bangladesh, Pakistan, etc., for exporting to Europe, which India probably was also benefiting till some time ago but now not anymore. So, these are the kind of risks which change the market scenario a little bit and market risks which happened. Other than that, yes, internally we are all geared up, but yes, there are external factors which might impact the growth of the company.

Shyam S. Aggarwal: The CAPEX which we are doing also can be one of the concerns but as Rohit mentioned that we are on alert and trying hard to complete the project on time. Yes, this project should also be contributing to additional turnover as the things are being planned there where the market is also developing like that only as per our requirement.

Darshil Jhaveri: Yes, I understand the macro, but the CAPEX because we've made up new capacities, we would have that demand, right. So, like I don't know personally.

Shyam S. Aggarwal: Just stopping operation there can be, but we don't expect that in our case.

Moderator: The next question is from the line of Aditya from Securities Investment Management Company. Please go ahead sir.

Aditya Khandelwal: I'm new to your company. So, pardon me if my questions are a little basic. So firstly, I wanted to understand how the sales happen for us in domestic and export markets, so who are our customers and do we sell directly or there are dealers and distributor network which we have?

Rohit Mall: So yes, there are two ways. So, we sell under our brand name. This happens in specific geographies like India, Indian subcontinent, Southeast Asia or Middle East and parts of Africa. And then we are also a private label or a white label supplier to brands and importers in Europe, North America, South America, Australia and New Zealand and other parts of the world. So, in our branded sales market, we sell via our dealer and distributor network exclusively and we have close to 80 dealers across these geographies that I mentioned to you. And for our white label, we are usually exporting to brand owners or large importers in the respective countries.

Aditya Khandelwal: So firstly, I wanted to understand your private labeling business. So how many brands do we cater to? And if you could just name three to four large players who would be contributing majorly to our revenues?

Rohit Mall: There will be at any point anywhere between 100 to 150 customers in this domain and we supply to large brands like Honeywell, Bunzl, PIP, etc.,

Aditya Khandelwal: Just to understand the global context, so how many brand players would be there globally and how many would we be catering currently?

Rohit Mall: I don't have a count of how many brands will be there. There will be a lot of brands. Each country will have, depending on the size of the country, maybe hundreds of brands as well. If you mean how much market share I have of the global, again probably a minuscule percentage right now because, like I said, China still has probably 70% of the market, India is still a very small player in the entire global market.

Aditya Khandelwal: No, what I wanted to understand is so I know there will be many, many brands globally catering to this market, but I would believe that the larger brands would cater to majority of the markets. So, is that a correct understanding or there are many, many smaller brands and the market is very, very fragmented?

Rohit Mall: No, there are many, many smaller brands as well. So, I mentioned right, it's almost a $60 billion industry. So, the biggest brand, which is probably Bunzl or one of them, their PPE contribution would be 2, 2.5 billion and they're the biggest in the world and they have operations throughout the world and the rest will be smaller than that. So, there are a couple of billion-dollar brands. But a lot of them in millions of dollars, anywhere between 1, 2 million to 200,300 million as well.

Aditya Khandelwal: Our proposition would majorly be based on price, that would be our only advantage, right?

Rohit Mall: No. Why do you say so?

Aditya Khandelwal: Because the market is so segmented, I would have thought that the customer would majorly be looking at the cost competitiveness of the product because no major player has that much control over the market. So, the pricing would be the advantage that the customer would have, would majorly be on price.

Rohit Mall: No, not really. So, it depends on the product category. There are some products which are commodity products. There, yes, price, one cent here and there and changes the market as well. But then there are products which are highly complicated and highly technical. One, not every supplier can manufacture those kind of products. Two, there's a design element. Three, there's a capacity element. So, depends on those grounds as well. And then there are customers who are looking for offering, so how much can you offer one product category or multiple product categories. It depends on that. Now, they're also talking about a lot of other things like you do towards sustainability, environmental management, that's also something that they want out of their supplier. They want to see if you have a good supply chain coming out of your country and locally, what's the ecosystem available there. They check our ecosystem of suppliers as well. So, there are a lot of factors which impact what they are looking for a supplier. Some can only be relationship because a lot of these companies are family owned businesses and they're looking to deal directly with the owners and not with MNC

Aditya Khandelwal: In garmenting or in shoes or in gloves, so what kind of products are considered higher margins and what would be the applications of these products?

Rohit Mall: So more the technicality of the product increases, the more the customization of the product increases, the more higher margins you can command. In a garment, there can be normal garment, which is a cotton or polycotton garment and basic overall design, yes, a lot of people are doing that. But when it gets into more multi norm, you want anti-static, you want chemical resistant, you want rainwear, you want flame retardant, you want high visibility, then the complications of the garment starts because it needs to be certified to what parameters they want. Also, if they want something of a design, if they want the fabric to have elastane for stretch, some uncommon pattern or a pattern specific to them or their geography, so that changes the margins. So, more customizations, more technical parameters, more difficult to source and get the fabric out, and the color and the design, the more margins you can charge. And same thing goes for shoes as well. It can be in the same industry even for hospitality industry or restaurant. It depends where it is. It depends on the kind of a customer that we have if they want to sell it to a high-end restaurant like a Michelin Star, it can change what they're looking for. If they're selling to a roadside store, it can change. So, applications remain the same, but the kind of market and the kind of their end customer changes based on which we see if the margins can be commanded or not.

Moderator: The next question is from the line of Divyansh Gupta from Latent Advisors. Please go ahead.

Divyansh Gupta: Hi sir, I have a couple of questions. If you can just throw a light on the USA and the Middle East expansion that we are planning, where are we with respect to commercializing those markets?

Rohit Mall: We've done a lot of ground work in these markets and now it's starting to show results. So, we participated in multiple exhibitions in the Middle East, in Saudi, and also we'll be going in January in Dubai. And we have now a couple of dealers in that geography. So yes, that geography is coming out to be good; Saudi, Qatar, even UAE is definitely there. And so, the Middle East and the North Africa market is we're getting more enquiries out of this market and we are trying to establish our brand there. So, already there's been a significant growth in that market and we hope to continue this trend, thankfully with the FDA it just makes it easier and more receptive for Indian brands there -

Divyansh Gupta: If you can throw some light on the numbers as well, because I don't see the breakup of at least Middle East especially called out in the presentation?

Shyam S. Aggarwal: As of now it would be in the range of 5% of the export.

Rohit Mall: Other than that, so for the US market, again, it's becoming interesting for us. We have now started selling more product categories in the US. Earlier, we were restricted to some categories, but now we have newer customers for the US market and it's showing good results. We have touched base with many customers now in the US and we are very positive of this market growing at a good rate year-on-year.

Divyansh Gupta: Also, the Indian supplier who stopped supplying the fabric, was there a particular reason which was driving this decision or was it just like that there's stock supplying -?

Rohit Mall: To my best understanding it was their management decision to roll back the operations and maybe shut down. No other reason that we know of why they shut the operation. We used to be a very large customer to them. But yes, it was their call to shut operations, gradually roll it back.

Divyansh Gupta: Building on the previous question that one of the previous participants asked, right, the high margin business, so how much would it be contributing to our sales, an approximate number, that these high customizations or highly technical products -?

Shyam S. Aggarwal: We sell almost safety equipments in the range of 42%, garment is 26% and synthetic gloves are at 11%. So, almost 80% we would categorize into better margin products and as Rohit mentioned the commoditized products is in the range of 19%, 20% so there we will have lower margins.

Divyansh Gupta: If you can just throw light on the plant utilizations that we have?

Shyam S. Aggarwal: So overall it would be in the range of around 60 to 70 percentage as of now.

Divyansh Gupta: So that's like Ahmedabad you are saying it's 60% to 70%, right?

Shyam S. Aggarwal: Yes, Ahmedabad project is below 50%. So, we are just trying to improve productivity there. So, these are all as Rohit mentioned highly technical garments and the productivity is improving there over the period.

Moderator: The next question is from the line of Aditya from Securities Investment Management Company.

Aditya Khandelwal: So, continuing with our previous discussion, so if you could just elaborate a little what role do certifications play in our kind of industries -- so is that a particular company which is certified by European or American authorities only they can supply kind of products or there is no such kind of requirement in our industry?

Rohit Mall: So, certification is basically in European market has a role to play in the market. So, you can't sell any uncertified product into the European market because there are checks even at their ports, at their customs, their checks with the customers and their customers as well. So, you're not supposed to sell any uncertified product and this has to be certified by a third-party under your name or the importer's name, so you have to ensure that the products are complied with European standards.

Aditya Khandelwal: How long do these certification certifications require?

Rohit Mall: How long does it take to get certified? Depends. Anywhere between four weeks to eight to 12 weeks depending on the product category.

Aditya Khandelwal: You mentioned that we also have a different distribution network. So, for the domestic markets and Southeast Asian markets, so these dealers and distributors are exclusive to us or they are supplying products of other peers?

Rohit Mall: They are multi brand outlets.

Aditya Khandelwal: Sir, if I look at your financial year '23 sales, the break up between our shoes and gloves and our body wear, it is almost equal 30, 35%. But if I have to understand how is it in domestic and export markets, would it be similar?

Rohit Mall: No, it won't be similar in the domestic market. Shoes would be a leading component of the market, whereas in the export market it will be workwear and gloves which will be majority of the sales, almost will be like 80:20 and here also 80:20.

Aditya Khandelwal: Any particular reason why that would be the case?

Rohit Mall: No particular reason as such. In Indian market, we've been established as a good shoe brand and that's helped us grow in the Indian market. Also, in the market, shoes category which is well accepted. Other than that, gloves is a very late comer to the market, for synthetic gloves, there's a lot of cheap and uncertified imports in the market, so India still does not have a standard for glove, whereas it has for shoes and helmets and these categories. We only deal in something which is certified. So that's why our focus has been in the shoe category and now we are pushing more of the gloves and the helmets…helmets have been a new addition for us in in the industry. So that's why shoe has dominated the domestic market. In the international market, it's not like we don't want to sell shoes. We have been able to establish our workwear business because of some good partnerships and also leather gloves, Kolkata is a big exporter to the world. So, it's natural that we exported a lot of leather gloves from here and now we're pushing for more of synthetic gloves and shoes in the export market as well.

Aditya Khandelwal: I believe last year we had introduced a rain-based kind of product. So last year the traction wasn't that much because we had recently launched the product. So, just wanted to know how was the traction for this product in the current year?

Rohit Mall: Yes, it was good, but interestingly it was the same fabric supplier which is rolling down the operation. So, now we have got in two steps back with that because we need to again start developing it with somebody else. So, even with a decent traction, we could not get the ball rolling and we have to start the project once again sadly.

Moderator: The next question is from the line of Bhavesh Sanghvi from Growthfiniti Wealth Private Limited. Please go ahead.

Bhavesh Sanghvi: If you break down the results, there's a small uptick in the domestic market as compared to the export market. So, is that a trend that you are seeing in India given the impetus of manufacturing in India and China plus and so on and so forth, so is the governance improving within these sectors and the companies where you guys service for your products?

Rohit Mall: Yes, definitely. The domestic market is something that we are eyeing very closely and we would in fact ideally wanted to become a 50:50 revenue split because one, we operate as a brand here, so it's good for both the top line and the bottom line. And secondly, yes, like you mentioned, the governance is improving, there are MNCs coming into India for manufacturing, so they're bringing their international standards to the Indian market, even our BIS, they are getting more teeth in the game and implementation is getting stricter, then you have PSUs now procuring through GEM and to procure certified products and in general, the labor force is increasing in the country and also added to that the purchasing power of people is increasing; so, sometimes they themselves making the decisions of buying such products and taking care of their safety. So, all of this combined is helping in the domestic growth.

Moderator: The next question is from the line of Prateek Tedia who's an individual investor. Please go ahead.

Prateek Tedia: My question is on the supply chain disruption that you mentioned. I understand that they decided to shut shop. How are we planning to counter it so such events do not happen in future -- are you looking at multiple suppliers or are you looking at to counter it with some others?

Rohit Mall: Yes, in an ideal scenario, we would like to have multiple suppliers and that's what we are trying to do right now. But, you also have to understand these products or these fabric are not common fabrics in Indian market and so we have to carefully pick and choose who are the suppliers who can a) supply it; b) give it as per the particular standard and see have that kind of capacity which can cater to our demand. So, these are mostly in the technical textiles domain. So, we need more of such raw material suppliers from India to be able to diversify our supply chain that much. But definitely we started that process and we are hoping to have multiple suppliers who we think can sustain it long-term.

Prateek Tedia: Relating to that, in terms of impact on sales, I think you mentioned around 50% of that specific product category has been impacted. Post-Jan when the supply chain is back, do you do you think the start would be slow or would it start at the same run rate as historical?

Rohit Mall: So yes, we have orders in hand that we can execute and we have to club them together now so that we can optimize on our production and get as much revenue possible for the remaining of the year. So, we are in close touch with that and we are hoping that it can start at the same rate, but again because like I said, everything has to be tested and certified, so we can't… and even after we place the order, the mills will take time to prepare it, because it isn't a regular product for them. So, we are hoping that we can get that much of raw materials that keeps us full. But again, we are also constrained by what Capacities we have because we can't go beyond that. So, we are hoping once Everything is sorted we'll be running at a full capacity.

Prateek Tedia: Do you feel any margin erosion due to this since the orders have been delayed or do you feel any discounting would be required once you start fulfilling it and if you can quantify it?

Rohit Mall: We don't anticipate that yet. We have well informed our customers in advance, so, they are aware of the situation. There might be some revenue loss, but I don't think there should be any margin erosion.

Prateek Tedia: Just one housekeeping related do you feel that the exchanges need to be informed about this impact or was it intimated?

Rohit Mall: Sorry, the exchange as in SEBI, you're talking about?

Prateek Tedia: No, no. in terms of regulatory impact because –

Rohit Mall: That is not that material. So, I don't think that is required to be intimated.

Prateek Tedia: One request. I think in future if there is some kind of disruption, information to investors would be helpful?

Rohit Mall: Okay. Got it.

Moderator: The next question is from the line of Disha Sheth from Anvil. Please go ahead.

Disha Sheth: Just a follow-up question, sir. You said that even in this year we try to grow by 15%, but first half has been just 2% growth. So, do we have an order book in hand that we are so confident that even this year we continue that can work?

Rohit Mall: Yes, the order position is still okay and we are hoping for it depends on how quickly this disruption is resolved and we are also banking on our domestic growth to increase a little bit in the second half of the year. Usually, if you see the history, second half is better than the first half. So, we are hoping for it. We've not lost hope and we would like to be a little optimistic and see.

Disha Sheth: At least we could expect if not 15% double digit growth for the whole year?

Rohit Mall: Yes, yes.

Moderator: The next question is from the line of Divyansh Gupta from Latent Advisors. Please go ahead.

Divyansh Gupta: A couple of more questions. If you can just throw some light on the working capital days between let's say the domestic business and the export business and the other view of own brand versus white label, so how does the working capital days differ between these two dimensions?

Shyam S. Aggarwal: So basically, for domestic business, the inventory holding would be less, but in case of export business which is more of private label you need to have inventory as per their requirement only. So there almost maybe we are holding up to 50 days of inventory for export business. And again, you will have more of debtors there because you are selling to the far destination and maybe sometimes we are selling to the South America or North America, and there the customers would like to have some credit at least, they want to have the delivery, and on getting delivery they would like to make the payment and the credit period becomes longer for them. So much you sell to those destinations the higher the credit would be. But in case of domestic market, the business model is different; it is like all sales happening against cash only, hardly we are giving any credit, and yes, inventory is also on the lower side for them.

Divyansh Gupta: So just some numbers would help. I understand the thought process which is also logical.

Shyam S. Aggarwal: Number for what?

Divyansh Gupta: So, debtor days would be how much in -?

Shyam S. Aggarwal: So, the debtor in case of local sales I mentioned it is mostly cash, so seven days maximum because some of them are getting credit, and in case of export it would be on an average of 30-35 days.

Divyansh Gupta: And around 50 days of inventory in that range?

Shyam S. Aggarwal: Yes, that is majorly for export.

Divyansh Gupta: And in domestic market we earn more margins compared to the export business, right?

Shyam S. Aggarwal: Not necessarily. It depends. Again, the brand is always there, but you see basically as Rohit mentioned we are selling more of shoes, like these products will have better margin like shoes or garmenting or maybe synthetic gloves.

Divyansh Gupta: So, the main reason for asking that was that if exports is relatively a lower margin and a higher working capital, then does it acts more as a drag to our profitability and therefore we are also anyways looking to expand the domestic market?

Shyam S. Aggarwal: No, not necessarily. We started export and export still has the big market and big scope for growth. So, we would like to grow both area. Again, in case of export if we are doing private labeling for the customer, if you can give them good quality and timely product, then they are also willing to have share better margin with you. So, definitely we're looking for growth in both the areas.

Divyansh Gupta: And a last question is on the number of distributors. While you have given the aggregate number of distributors, if you can, let's say divided by geography, that how many in Asia and how many in US, Middle East or at least India versus outside location?

Rohit Mall: So about 83 or some odd dealers we have overall, and out of that 70 to 72 would be in India only, and the rest in Southeast Asia, Middle East combined.

Divyansh Gupta: So, then it seems like it's almost like one distributor or a dealer per country?

Rohit Mall: Kind of yes at this moment, one to two maximum, yes.

Divyansh Gupta: Any plans of increasing this more in our international market or we are more comfortable with one dealer in our location?

Rohit Mall: No, we are regularly looking to expand it in India and outside, both, so, we are regularly increasing the number of dealers, but it's important that we associate with the right company or a firm or an individual, we have a selection process, but yes, we are continuously. Increasing the number of dealers that we have.

Divyansh Gupta: And what would be the Indian revenue percentage?

Shyam S. Aggarwal: It is around 42%.

Divyansh Gupta: So, we are a 400-crore company, so 42% will be 160, 160 divided by about 70 dealers, so about Rs.1 crores is the revenue per dealer.

Shyam S. Aggarwal: Not at par, it may be higher, it may be lower also.

Rohit Mall: Mathematical average is correct.

Divyansh Gupta: And what would be the spectrum of the biggest and the smallest dealer and who does -?

Rohit Mall: In India, 20% would be giving us 80% of the revenue.

Moderator: The next question is from the line of Aditya from Securities Investment Management Company. Please go ahead.

Aditya Khandelwal: What I wanted to understand is our sales in domestic markets. So, our sales is majorly through dealer and distributor network and the dealer would be keeping many brands. So, just wanted to understand what helps us drive our sales in the domestic market -- so are we paying higher commission or do we have a very strong brand that the customer is only asking for Mallcom's products?

Rohit Mall: So, a couple of things. So, one is definitely the brand and the brand recall we have in the market. Two is the supply chain, how quickly we get the products to them. So, it's important that they have the products with least lead time. Three, we do a lot of technical sales with the end users as well. So, we have our own sales force which visits the end user and does technical selling with them; we educate or speak with the safety officers and HR and purchase officers and then definitely the relationship with the dealer how we have. It is not necessarily a commission advantage that we play on, it's a combination of all the branding activities, marketing activities, exhibitions like we said, we participate in a lot of exhibitions and user exhibitions, that gives us leads. Our policy of always keeping the dealers involved in all the transactions; so, we don't do any sort of direct billing, we always keep our dealers in the loop, so that keeps them stuck to the brand.

Moderator: We take that as a last question. I now hand the conference over to the management for the closing comments.

Rohit Mall: Thank you all for participating in our earnings call. I hope we were able to answer your questions satisfactorily and at the same time offer insights into our business. If you have any further questions or would like to know more about the company, please reach out to the investor relations manager at Valorem Advisors. Thank you. Stay safe and stay healthy.

Moderator: On behalf of Mallcom (India) Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.