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MCON RASAYAN INDIA LTD.
Trusted Partner In Construction Chemicals



Date: 31-05-2024

To,
The Manager
National Stock Exchange of India Limited,
Exchange Plaza, Bandra-Kurla Complex,
Bandra (E)
Mumbai - 400051.

Symbol: **MCON**

Dear Sir/ Madam,

Subject: Transcripts of Post Earnings Investor Con Call dated May 24, 2024.

Ref: Disclosure under Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

Dear Sir/Madam,

Pursuant to the abovementioned Regulation, please find enclosed herewith the transcripts of the Post Earnings Investor Con Call held on May 24, 2024.

You may also find the transcripts on company's website at <https://mconrasayan.com/investor-relation/>.

Thanking You,

Yours Faithfully,

For MCON RASAYAN INDIA LIMITED

MAHESH RAVJI Digitally signed by MAHESH
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MCON RASAYAN INDIA LTD.
Trusted Partner In Construction Chemicals

MCON Rasayan India Limited

Q4 & H2 FY24

POST RESULT CONFERENCE CALL

Management Team

Mahesh Bhanushali - Managing Director & Chairman

Chetan Bhanushali - Whole-time Director

Nandan Pradhan - Whole-time Director

Call Coordinator



Strategy & Investor Relations Consulting

Presentation

Vinay Pandit: Ladies and gentlemen, good afternoon. I welcome you all to the H2 and FY '24 Post Earnings Conference Call of MCON Rasayan India Limited. Today on the call from the management we have with us, Mr. Mahesh Bhanushali, Chairman and Managing Director; Mr. Chetan Bhanushali, Whole-time Director; Mr. Nandan Pradhan, Whole-time Director.

As a disclaimer, I would like to inform all of you that this call may contain forward-looking statements, which may involve risks and uncertainties. Also a reminder that this call is being recorded.

I would now request the management to run us through the Investor Presentation, sum it up with the performance highlights for the quarter and the year, their growth plans for the coming year, post which we will open the floor for Q&A. Over to you, Nandan.

Nandan Pradhan: Yes.

Mahesh Bhanushali: Pradhan sir, I'll take this first.

Nandan Pradhan: Sure.

Mahesh Bhanushali: Good afternoon to all the invitees who are attending this meeting, and thanks for joining all the investor call of MCON Rasayan India Limited. Myself, Mahesh Bhanushali, the Managing Director of the company. I have been into this business of construction chemical for more than 18 years now and know the tricks and trade of the business.

Today, we will be taking you first to the company introduction of MCON Rasayan, and then to the business numbers. End of it, we can have question-and-answer session. So let me take you through the company introduction.

We started this company 15 years back, and today we are having a strong foothold in the Construction Chemical and Specialty Building Material segment with more than 100 products and more than 75 distributing partners. We are mainly focused on the Western zone of India. So, here on the last slide which you saw, we have our 100+, 75 distributors and more than 1,500 retailers.

Let me take you to the next slide. Let me introduce you to the other two key members of my management team who are with us today on this

call. We have Mr. Chetan Bhanushali, our Sales Director, who is responsible for the business growth and bringing in the receivable into the company. We also have with us Mr. Nandan Pradhan, our Executive Director, who takes care of the entire strategies and growth plans.

With more than 25 years of corporate experience into the construction industry, Mr. Pradhan is creating geographical expansion across the country. Journey of MCON, I have always said this before that, Yes, MCON we started way back in 2008, 2009 as a proprietary company. We had our first unit in Sarigam. We started from Sarigam. The demand increased. We went with one more unit at Chikli. We started the production there. We understood the know-how of sand and all. From there, we came to our Greenfield project, which is more than 3 lakh plus square feet area. And now that's our plan from where we are majorly supplying to the Western zone of country.

MCON Rasayan is the only company who has got ISI for three major products, which is tile adhesive, waterproofing admixture and wall putty. And, we are the only construction chemical company who is listed on NSE. So that's the journey of MCON.

And, yes, our vision and mission of MCON is always ensured that we keep giving innovative products to this industry. So we have our own R&D centre in Navi Mumbai, which keeps on creating new products to help the construction projects. That's our vision and mission.

Now I would like to request Mr. Nandan Pradhan to take you through the business overview. Mr. Pradhan?

Nandan Pradhan:

Yeah. Good afternoon all and thank you so much for joining this call. So as far as the products are concerned, well, we can divide it into two parts. One is the powder products, and another is the liquid products. When I say powder products, they predominantly are made out of cement and combination of sand. The cement can be grey or white. And the liquid products are various types of polymers, polyurethanes, epoxies, etc.

So if I talk of my product profile, it can be divided into 12 different product groups. First is the Repair and Rehab segment where we talk of anti-corrosion systems, which are there to ensure that corrosion doesn't come to the existing structures. Then we have got concrete repair products. Then to take care of the concrete, we have got admixtures, which go inside the concrete and waterproofing system which protect the concrete from outside.

To decorate the concrete, we have got Deco Floor Systems, which are for concrete flooring, which are in coloured products. And then we have got, wall finishing products like paints and putties. To preserve and protect the concrete, we have got specialised protective coatings, which are either in epoxies or polyurethanes or elastomeric paints, which normally we supply to the bridges and flyovers and the dams and the reservoirs.

Then to cover and seal the building, we have got ready mix mortars, which we talk of ready mix plasters for the external plastering of the products, the block adhesives, the tile adhesives. And then we have got the industrial products where we talk of floor hardeners. We talk of engineering grouts. So these are all the products that we have got in our basket.

If you see over here, you can see how our products are touching your everyday life right from the beautification of your external walls where our paints and ready mix plasters to the inside of your tiling and tile adhesives. We have got products for basement waterproofing, for swimming pools, for water tanks, for terraces, and also for your outside roads. So this is how our product mix looks like. We are mainly have been a powder-based product company and that's the reason even in the 3 lakh square feet of area that we have right now, the major manufacturing capacity is of powders.

So even in the sales, if you see, the ready mix mortar is occupying almost 42% of the sale. Again, tile adhesive and tile grout contribute to 21%, concrete repair 11%, waterproofing system 6%. So if this top four product groups we put together, it's more than 80% of the sale that we are talking of. And the balance other product groups, they are almost 20%. The two emerging players like, if you currently in IPL, we talk of the emerging player, the new players. So the two emerging player in our product group, one is the admixtures, which currently is contributing only 2%. But, yes, in the next financial year, we'll see a bigger share from the Admixture segment. And second is the MAARVEL Series Paints, which again currently is contributing only 3%, but that is also developing fast, and we are expecting it to contribute a bigger pie in the future.

I talk of the revenue breakup, currently. So, in that there are majorly four segment that we are operating off. One is the building construction, then the repair rehab, retail network and the government infra. So because the products are mainly contributing to the building segment,

so it's contributing almost 65% to total sales. When I say repair rehab, we've talk of society repairs, which normally happen more in Mumbai. So all the society repairs, whether they happen through a society or through a consultant or an architect, so that contributes to 12%.

And in that repair, we also got the infra repairs where we are repairing the bridges and the dams and the reservoirs and the water treatment plants. So that both combined together contribute to 12%. Then, of course, the retail network is there. When we say retail network, we are talking of the shops and all the establishments that are there nearby your household. So we give it to a distributor who sells it to a shopkeeper.

The shopkeeper can be a paint shop or tile shop, a building material shop. And from there they will sell it to the applicators and the petty contractors who come to your home to repair your home, to waterproof your real home, to stop your leakages, or to fix tiles in your household. So that is the retail network. And then the government infra projects, which again, it's a big, big, big business because as we all know, the current government and the future government is going to bank on the infra. So government infra project, when we talk of, we are talking of roads, flyovers, bridges, dams, pipelines and maha housing projects.

So that infra projects, again is contributing to 11%. We shall we are sure that it is going to take more substantial from the pie. Then we talk of our manufacturing plants. So in manufacturing plants, again, we are talking of, we have got three plants out of which the Chikli Plant, we are already closed down, okay. So Chikli Plant is not anymore operational, but yes, the other plants are operational. So again, when we talk of plants, the major contributor currently is the Ambethi Plant, which I talked off, which is the Greenfield project of almost 3 lakhs square feet. And, currently, we are utilising only 40% of the plant. You can see the manufacturing capacities here, which are growing gradually day-by-day because as and when we are installing new machines into the plant, the capacity increases. We started with 18,000, which went to, currently, we are having a 36,500 of the total capacity in the Ambethi Plant and almost 8,000 of liquids in the Ambethi Plant.

These are geographical presence in India. So this is as on 31st March, we are mainly prominent in Rajasthan, Gujarat, Madhya Pradesh, and Maharashtra. And as we are talking, we have already started our businesses in South zone in Mangalore and Bangalore, in North zone in Delhi NCR and Agra. As far as the clientele is concerned, well, there is vast almost like more than 500 different builders, distributors, and contractors, big and small are connected with us. But these are a few to

mention just to give you a rough idea of what kind of clientele are we dealing with.

So, yes, we are dealing with Lodha, Rustomjee, Shapoorji Pallonji. We are dealing with contractors like Painterior. We are dealing with government like Indian Railways, MCGM, Cidco, and developers like Rustomjee and Raheja and Lodha's. So, yes, this is the whole idea of what kind of clientele are we talking about.

Now, quite a few people must have studied this particular segment of construction chemical and specialty building materials. So, yes, this segment is having N number of players, big and small, organised and unorganised, core business of construction chemical, and you can say a branched out business of construction chemical. So then why MCON? Why MCON will be the next company, which the customers will use Scope to?

So, yes, the first and foremost is we have got our in-house R&D department, which is in Navi Mumbai. So what we do is that the R&D team moves around, talks with the clients, gets the feedback, and implements it into the product. We have got Doctorates in polymer chemistry who are heading the R&D team. And with their efforts, we have come up with quite a few innovative products, which we already offered and are well accepted in the industry.

Yes. We believe in continuous business development. So we keep on having meets, dealer meets, contractor meets, retailer meets, shop meets, naka meets. So that's how we keep on creating more and more push strategies. And due to that, there is a pool from the market, which ensures that the business keeps on growing. Also, like I told you, we are also going into the nationwide presence, starting our operations in South and North, which we are sure will develop in this particular financial year.

We have got a very strong network and presence because, prominently, we are always dealing through dealers and distributors. We'd have more than 400 dealers retailers in Mumbai alone are serving. And total, we have got more than 1,500 retailers who are selling MCON products, and we have got more than 500 contractors who are connected to MCON in various ways. So yes, we are there across the Western zone.

Now let's talk of the industry that we are in. Well, this is a fantastic industry. It's growing at 13.44% CAGR. Of course, there is competition, which is there in every industry. But if you see the market demand, it's

going to double in the next five years. So that talks of how big the industry is. And, again, there are so many big players coming into the industry, which is ensuring that the awareness is more. Yes, of course, there will be a competition. But with the competition, there will be a bigger market also.

These are the financial highlights. Like, if you have to talk of annual performance, the net sales growth is 35.7%. EBITDA has gone to 12.6%, which is again increased. Net profit has gone to 5.3%. So EBITDA growth is 97.5%, and net profit growth is 97.4%. So, yes, we are growing at double the pace in terms of the profits. This is how the CAGR overall is looking like. Like, 47.21% is the CAGR for the sales, 64.2% is for EBITDA, and 123% is for PAT. So these are the numbers in total. Like, the second half, we closed at 248.8 Millions is almost 24.88 crores. And overall, we closed at 42.13 cxrores.

So if you see a year-on-year growth, it's almost 35.7%, like from ₹30 crores to ₹42 crores, roughly. Again, if I talk of EBITDA, it has got a 97.5% year-on-year. If you talk of PAT, that is also grown well. So these are the numbers you can have.

Moderator:

We can proceed to the way forward?

Nandan Pradhan:

Sure. These all numbers are already there with you. Yeah. So let's look like what's the plan we got the way forward. So, of course, the plant expansion is already there, which the Phase 2 has already started. And the Phase 3 is like, the final thing, the final lab, and corporate office and everything is shaping up.

So by beginning of this monsoon, the entire plant with all the operations and all the finishing items will be ready, and it's turning out so beautiful. The entire plant is looking really fantastic, the flooring and the machinery. And of course, we have started the admixture and the paint also from the same plant.

As far as the target markets are concerned, like I told you, Delhi NCR we are already developing, the North market, and the Southern market also we are developing. We are also going to Agra, Lucknow, Kanpur. Agra distributor is already finalised. We are also targeting the export market of Nepal and Bangladesh. So but that we are taking a bit slow because looking at the current Indian market itself has got a huge, huge potential. So that helps us a lot, expand further, grow further because right now, we are having a very, very, very small portion of the big, huge market of India.

So, yes, the avenues are huge. As far as the products is concerned, we are into the paint and coating sector also now. And potential of this sector is huge in the project business. And currently, we are focusing in this segment mainly on the project business, not on the retail, because retail business is already dominated by some big players and there is already lot of fight going on in the retail, but, yes, the project business because we are already there. We already know the customers, so that is giving us a good mileage.

And to expand this market, we are having some good strategic partnerships in terms of the distributors, in terms of the production facilities, in terms of brands and offerings. We are growing, and we are also trying to bring in some good technologies from across the Europe market and other markets into India. So that's how we are growing ahead. So this is our entire product portfolio. We have got admixtures and adhesives and polymers and coatings and waterproofing paints and everything.

And like I already told to you, we have got ISI Certification, C Certification, IGBC is there, and we are an ISO 9001 company. So these are the few projects, which have been done with MCON products. Mumbai, Pune, Gujarat, Rajasthan.

Yeah. So thank you so much for patiently listening to us, and I'll stop the presentation, and I'll request Vinay to take it forward from here.

Question-and-Answer Session

Moderator: Thank you so much. We'll open the floor for Q&A now. All those who wish to ask a question may use the option of raise hand. In case there's a problem at your end, please send us a message in the chat, and we'll ask a question on your behalf. Anybody who wishes to ask a question, please raise your hand.

We'll take the first question from Gunit. Gunit, you can go ahead, please. Can I request the management to switch on the cameras?

Nandan Pradhan: Sure.

Gunit Singh: Hi Sir. So, what we are currently having operating margins of about 12.5% on an entire year basis, which have improved from 8.6% last year. So I mean, as the business grows, what kind of operating leverage

are we looking at? And how do our margins compared to our competitors in this space?

Nandan Pradhan:

Yeah. So Gunit, see, yes, we are improving on the operating margins, and it will improve further because the plants are operational now. And slowly, we are increasing the efficiency of the plant. And if we talk of competition, then see we have got two extreme ends. One is the very organised sector competition, which are already there in this segment, since last almost 20 - 25 years. So if I compare my operating margins to them, there is a scope of improvement maybe another 4%, 5%.

And, if I talk of very small players, which are in the unorganised sector, then well their data is not very clear from them, so we can't say about them. But if I talk of MCON as an individual or MCON as a company, yes, the operating margins are going to improve in future, and we are expecting a stable growth of maybe 4% to 5% in future.

Gunit Singh:

All right sir. And what kind of pricing arrangements do we have with the infra project and the big projects that we have? I believe that for the retail, it's like a normal B2C segment. But what kind of, I mean pricing contracts or arrangements do we have with the big projects? How do they work?

Nandan Pradhan:

So see, big projects, normally, they work mainly like, it varies from project-to-project. So the pricing contract is for one certain project, and we are quite competitive as far as the offerings are concerned. At the same time, if we talk of the operating margins or the gross margins, then there also we are faring well into this particular project segment, because we have got certain products, which are having a minimum competition as far as the projects are concerned, because certain innovative products are there.

Like, if I talk of LCNR based anti-corrosive coating. So that particular product is not available very easily in the industry, but we being having our own R&D centre, we could create that product. We could offer that at a very good price. We could get the orders, and we are supplying that in a good quantity for pipeline coatings. So this kind of products, when they're there, then the margins are better. But yes, there are a few me-too products like micro concrete and polymer mortars, which we are offering to this segment. So there, again we have to operate at a very thin margin. But still, we can have a good pricing and a good order bank with us.

Gunit Singh: All right. When we're talking about the project business, I mean, do we provide an entire suite of products? And I mean how does it work, I want to understand in terms of the payments or the contracts. So, I mean, do we first supply all the products that they require and get a complete quotation or do we sell on a product-by-product basis individually? I mean, how does that work? I want to understand that.

And I also want to understand, I mean so we have mentioned that we have worked with big companies like Shapoorji Pallonji and all of them. So what kind of stickiness do we have with them? I mean, do they retain us for the other projects as well? Yeah, I want to basically understand the payment cycle. I mean how does the entire thing work out when it comes to big projects?

Nandan Pradhan: Okay. So that's a good question, Gunit. Yeah, because at the core of the entire business like number one is the stickiness of the customers. Yes, we do get repeat orders. The reason being, of course, the service and the consistency of the product, because those are the two paramount things which are important in this business. Your consistency is something, which comes when you have automation in the plant and good systems in place and good quality control. So, yes, that helps us to create the stickiness with the customers like Shapoorji Pallonji, etc.

And second part that you said of the payment, so from day one, we have made it an objective and a very clear policy that we do our major billing through our distributors only. Maybe Shapoorji Pallonji or other big contractors, but we supply them through our distributors. And our payment with our distributors is very controlled, and the distributors are already having certain good arrangement with these contractors in terms of maybe their relationship, somewhere it's about the barter that they do. So due to that, the payments are very secured and the cycles are met.

Gunit Singh: All right. Thank you very much. I'll join back the queue.

Nandan Pradhan: Thank you.

Moderator: We'll take the next question from Bhasker. Bhasker, you can go ahead, please.

Bhasker: Hi, can you hear me?

Nandan Pradhan: Yeah, sure. We can.

Bhasker: Yeah, I wanted to ask you. So if you look at some of the bigger more established players like Sika AG, MBCC, and MYK LATICRETE, etc. So how much of their business will be coming from new builds versus a retail or refurbishment market? If I understand correctly for us, all around like 60% or 70% is new builds or new projects. And like 12% is refurbishment or retail market, right? So I want to know for these people like, how is the breakup generally?

Nandan Pradhan: See, if I talk of, let's take one example you told about MYK LATICRETE. So MYK LATICRETE, it has got a product segment of mainly tile adhesive and tile grouts. They don't have that big portfolio like what we are having. So anyway, we say tile adhesive, tile grouts, the business is mainly focused either on repair rehab because when you renew it, your offices and factories and homes that time you need adhesives or only into new building.

So they are not there in the project business. They're not there, they're there in the retail, of course. So Retail and Builder segment is something that mainly LATICRETE is focusing on. But the moment you move to Sika, it's more of a project-based company. So they're more dominant in the project business. They're there in the roads, in the bridges, in the flyovers. So their major segment, if I say, 70% of their business comes from the government infrastructure projects. So two different companies will have two different baskets and two different ways of doing business.

Bhasker: Okay. Understood. So the payment process, like even Sika would be doing in the same way as we do. Like, through distributors, they try to secure the payments. Is it right?

Nandan Pradhan: No. Sika is doing more of a direct business, because, again, it's a multinational company with deep pockets, so they can afford to give that kind of credits to infrastructure projects. Because infrastructure projects, the purchases are very high. It goes into crores with one single customer. So in case of Sika, they take lot of exposure and do business with this projects directly rather the distributor business of Sika, I would say will be around 40%, 60% will be direct company business.

Bhasker: Okay. Fine. Yeah, I do think distributor business might be better in terms of collections, etc. I want to ask you, what would be like the customer concentration like Top 10 customers will be contributing how much percentage to our revenue? But when I say customers, I would say only not B2C but like dealers, distributor projects, those sort of things.

Nandan Pradhan: Right. So because, like I told you, our major business is through distributors. So the Top 10 customers are most of the time distributors only. And they contribute to almost 60% of the total sale.

Bhasker: Okay. Yeah, fine. One last question. So if we talk about these projects government or like even private, so big projects. So won't they be cyclical? Like, in boom periods, it will be like high end and in lean periods, sales would be falling down. I mean, do you make sense?

Nandan Pradhan: So, yes, the lean periods, of course there, especially the monsoons. So the monsoons are the lean period. Otherwise, overall the projects are ongoing. They don't stop.

Bhasker: No, I would say macro situation. Like in 2018, Island the first crisis happened. So did we face any problems at that time due to the macro tailwinds, like headwinds in infra?

Nandan Pradhan: See, somehow India is not much affected at the macro level. And also, within that, if you talk of MCON Rasayan as a whole, like I told you during the presentation also, that currently, we are at a very, very, very small proportion of the bigger business. So even if there is certain impact, it directly doesn't impact MCON Rasayan business because currently, we have got lot of scope to grow. So even if one or two infra projects or one or two infra segments gets stuck, still there are multiple segments where MCON is still not present. So for us, the scope of growth is more compared to the scope of getting affected. So that's why we don't get affected at a macro level.

Bhasker: Okay. Last question. So are we envisaging any mix like down the line like after 5 - 10 years, how much should be new builds versus how much should be replacement, refurbishment ratio?

Nandan Pradhan: See, 10 years down the line, I would say, like, it would be a 70:30 ratio, because the concrete that is coming in of higher grades has been there, since last 5 to 6 years. And 10 years down the line, it will be a 15-year-old concrete. So there are all the more chances of having to use better technologies to refurbish and repair those concrete, plus the concrete, before that will all come for repairs. Because if you talk of concrete of last 50 years, that was a very lean concrete. M25, M30 was the maximum.

And the extreme conditions of weather that is happening right now. So the concrete overall is not prepared for that kind of extreme condition

when it was designed 25 years back. Like, you talk of the carbon dioxide level. You talk of the global warming. You talk of the gases that are there, the fogging effect, and the environmental conditions that are prevailing right now. So all that concrete will surely come out for repairs. So the Repair Rehab segment is going to boom in the next 8 to 10 years.

Bhasker: Okay. Fine. Yeah. Thank you.

Nandan Pradhan: Thank you.

Moderator: We'll move to the next participant. Pradeep, you can go ahead and ask your questions, please.

Pradeep Rawat: Yeah. Good afternoon and thank you for the opportunity. So I have couple of questions. So first question is related to our Ambethi CapEx. So, what would be our CapEx outlay in Phase 1 and Phase 2, and what would be the asset turn that we would generate on these investments?

Nandan Pradhan: Mahesh, would you like to take this? Okay. So as far as the CapEx outlay, if you talk of. So we have done almost the entire project is more than ₹11.5 crores in totality. And the overall capacity, if I talk of, so up to ₹250 crores worth of business, we are sure that this particular CapEx will give us the results. Like, the turnover up to ₹250 crores, we can surely get out of the same CapEx.

Pradeep Rawat: Okay. So we would be fetching margins, like around 10%, 12%. So we would generate somewhere around ₹25 crores of EBITDA from this CapEx?

Nandan Pradhan: Sure.

Pradeep Rawat: Yeah, so on the CapEx of ₹11 crore, we would be generating ₹25 crore of EBITDA every year. So why so much high ROIC in this like, CapEx?

Nandan Pradhan: No. When we talk of CapEx, we mainly talk of the plant and machinery into this. But at the same time, there are multiple other dimensions to it when we talk of the EBITDA, like right from the raw material to the land on which it is standing and plus the other marketing costs, which come into picture. So when we talk of all that, of course, the ROIC has to be on a longer period.

Pradeep Rawat: Okay. So, it would be like five year payback period or something around that?

- Nandan Pradhan:** Yes. We are expecting anything between 3.5 to 5 years.
- Pradeep Rawat:** Okay. And my second question is about the opportunity size of your products, powder and liquid products. So what is the opportunity size?
- Nandan Pradhan:** Opportunity size, well, because like I told you, like the market is increasing at a huge CAGR. So like \$2.3 billion is the current market and \$4.3 billion is expected in next five years. So that's a kind of opportunity size because there's entirely construction chemical. And the good part is whatever is there in construction chemical, we have it all. So we are not operating in one single segment. Like I had told you in MYK LATICRETE, we are only doing tile adhesive, tile grout. But we are there in admixture, in adhesives, in floorings, in repairs, polymers, in waterproofing everything. So the capacity or the potential of the market, we are not even at 0.001% of what is the potential. So the potential is huge. That is never a problem for us.
- Pradeep Rawat:** Yeah. Great. So I was just wondering that we are expanding toward NCR and South, and our main market is Western market right now.
- Nandan Pradhan:** Correct.
- Pradeep Rawat:** So even though we are not fully penetrated into our Western market, why are we expanding into other geographies?
- Nandan Pradhan:** Okay. So, good question, Pradeep, because that's something that we also brainstormed a lot last year, whether we should still focus on concentrating on the Western zone itself or spread our wings. Okay, So, there are three major reasons which came to us during our discussions.
- Number one is like you, the one is the spread of risk, because focusing only on Western zone, and if because again India being such a vast geography, every zone has got its own economy. So the zonal economy, the Western zone economy deep dive someday, which I doubt it, but still we can't take chances. And of course, we have got North and South zone to support.
- Number two, the North zone has got far huge volumes compared to the West zone. Like, if I talk of Delhi NCR, Delhi NCR has got volume, which is bigger than Maharashtra and Gujarat put together. So we need to tap that market someday. Now which is that day, we never know, so let's start someday.

And Number three, again a very important factor is, like, if we talk of our company, an Indian company, if it wants to grow then someday it has to go to pan-India level. So we need to start the footsteps slowly. That's the reason we thought that let's start with Delhi NCR here, like Delhi NCR and UP. On the South, we are focusing on Karnataka and this Telangana. So we are taking one or two states at a time, not entire North, not entire South, but few states at a time so that we start making some foothold in other zones, and start creating that pan-India presence so that in due course because, see, we are targeting a huge number, which we have told in the past also. So to get that bigger number, we need to go pan-India. We cannot only depend on the Western zone. So that's the whole idea.

Pradeep Rawat: So going forward, like 5 to 7 year down the line, what would be the, like, percentage contribution from South NCR or Western into your revenue mix?

Nandan Pradhan: So, three years down the line, we are expecting 60:40. Western to Rest of India. Like, 60% will be Western zone and 40% will be Rest of India plus exports.

Pradeep Rawat: Okay. Great. And so, I would like to know about, who are your competitors and how can we compete with them given our smaller size?

Nandan Pradhan: Okay. So competition, of course, we have got Pidilite with the brand called Dr. Fixit. Then we have got Sika. We have got MYK LATICRETE. We have got Fosroc. And then the new competition which has come in with the companies like Asian Paints, Ultratech, Nerolac, we also either acquired or started construction chemical division. So there are two ways of looking at it. Number one is technology or the expertise. So, yes, we have got the expertise of construction chemical. So we are able to give solutions to the customer, because construction chemical is something which is not like a cement or a tile, where the technical activities are not involved much, or it's a me-too product.

You need to know the technicalities of the product. You need to give a proper solution. So there, you have got that mastery of what solution to give for what problem. So that is one edge that we have got.

Second is, like, we being focused on our distribution network, and there are so many distributors across India who are having the pain in their heart that they have not been treated well by all these companies put together at some stage of their career. Either they have ditched the

distributor, not paid him the commissions, sideline the distributor or created multiple distributors. Although the promise was that you are the sole distributor. So all those distributors are there to support us in our growth journey, and they're helping us to create the business. So these are the two important factors, which are a plus point for us.

And of course, our own manufacturing facility and R&D centre. Because most of these brands are getting it made from someone or don't have the hold of their own into the manufacturing setup. So that is also giving us an edge.

Pradeep Rawat: Yeah. Thank you for explaining so wonderfully. Thank you, and all the best for your future endeavours. Thank you.

Nandan Pradhan: Thank you so much, Pradeep.

Moderator: Thank you. We'll go to the next participant. Prasenjit, you can go ahead and ask your question.

Prasenjit Paul: Good afternoon, everyone. Thank you for the opportunity. So, I want to understand, like, many of our peers, they are quoting at the operating margin of 17% or 18% kind of. But our operating margin is around 12% to 13%. So what is the scope of improving this operating margin to 17%, 18% level? And do you have any duration in the mind that, okay, we can reach to that level?

Nandan Pradhan: Yes, Prasenjit, so as far as the operating margins are concerned, see, we first created the infrastructure to go to a certain turnover. Now the infrastructure is created. Now we are pushing ourselves to achieve that turnover. So once we achieve the turnover maybe in a span of one to two years, then, of course the operating margins will improve.

Prasenjit Paul: Okay. So my next question is, can you please highlight on the capacity utilisation level? Because the liquid capacity is around 8,900, as per April 2024 data. So even if you consider this April or maybe May, so what kind of utilisation level we have and by what time we are expecting that this 8,900 the liquid capacity can be optimally utilised?

Nandan Pradhan: See liquid capacity, during my presentation, also I mentioned that admixture and MAARVEL Paints are the two upcoming product portfolios that we are focusing on, and both are liquids in nature. And admixture, if you see the Work Construction Chemical segment of India or even of the world, then admixture has got almost 36% to 40% from the entire pie. Whereas, currently, we are only at 2%.

So that's why the scope of selling admixture is huge, and we are working towards that. We all got some specialist, technical people in our team who are focusing on admixture, and the segment has improved in the last year. So this year we are hopeful that we will do almost 8% of our contribution from the Admixture segment. So that will mean that liquid capacity that we are talking of, almost more than 65% to 70% will be utilised, if we focus on admixture and paint both put together.

Prasenjit Paul:

Okay. And also you mentioned about Phase 3 of the CapEx. So on the Phase 3, I mean currently our liquid is 8,900 and powder is some number. So in the Phase 3, will that increase further?

Nandan Pradhan:

Yeah. Because, see the plant is now operational, number one. Number two, the overall shed that we have built is huge, and we have got enough scope to add machinery into it. And every machinery added increases the capacity as far as the liquids are concerned. Powder setup is slightly more bulky, but the liquid setup is quite compact.

So in future, yes, we'll increase the capacity in the Phase 3. But currently, our main focus is to make the state-of-the-art laboratory, the R&D lab inside the factory, so that we can churn out more better products and give more better consistent quality. So that is the first focus, and then we'll move to the expansion, because currently the current capacity utilisation, we want to ensure that in the two shift also, we are able to churn out good enough production and sell it to the market. Once that happens, then we'll go to the Phase 3.

Mahesh Bhanushali:

So, Prasenjit adding to this, originally, our Phase 3 is our office and QC lab which the decoration thing is going on. Because when we informed previously also that Phase 1 and Phase 2 was our originally manufacturing setup. So machines for liquid and machines for powder are almost set up and production have been started with that. And for the same, we have mentioned the production capacity.

And what sir said, Phase 3 can be added. See, as we are targeting from this unit from this setup, almost more than ₹200 plus crores of business with the same product segment. And if you want to add more capacity that can be our Phase 3. But current, Phase 3 is our office setup and our QC lab. Yeah. Thank you, Prasenjit.

Prasenjit Paul:

Okay. Thank you for the detailed answering. So my last question is, whatever our product line is, so more established bigger player like Pidilite already have the similar kind of products. So we all know that

Pidilite has a large, I mean, good brand recall. So why a customer in purchase our product instead of going to Pidilite? Do you have any cost advantage? I mean, are our products are priced lower than Pidilite or quality advantage I don't know. So why someone, if I'm going to purchase a product, why don't I opt to Pidilite rather I opt to MCON products?

Nandan Pradhan:

Okay. Yeah. So, Prasenjit, that's a fantastic question. And it's a good case study also if you want to understand that. See, basically, what happens is number one that, Pidilite is more prominent into the Distribution and Retail segment. And when we talk of distribution segment, each distributor wants one good margins. Now Pidilite has become a kind of -- for a distributor, it's more like a me-too product or a Parle-G and Amul Butter, which he has to keep on the counter or keep in his basket to ensure that the business keeps on running. But the margins offered by Pidilite to the distributor are very, very thin.

Whereas when they take products from company like MCON, they get a better margin, which ensures them that the overall turnaround for them is good. Secondly, the product consistency of MCON is also good, so they don't have to go into the hassle of replacement. So if I talk of quality, we and Pidilite at par. Pricing, we might be slightly lower than Pidilite slightly, but the margins that we offer to distributor are better compared to what Pidilite is offering. So this particular combination ensures that the distributor gets interested in MCON products.

Secondly, if we talk about project segment, Pidilite is not very much focused on the project segment. So there, again, we get an upper hand when we compare ourselves to Pidilite. So that's what it is all about.

Prasenjit Paul:

Okay. Thank you. That's all from my end.

Nandan Pradhan:

Okay. Thank you.

Moderator:

We'll take the next question from Darshil Jhaveri. Darshil, you can go ahead, please.

Darshil Jhaveri:

Good afternoon. So just wanted to ask now, we have grown tremendously in the last few years. So what kind of revenue growth that we envisage currently for coming maybe in the next year and for a longer period 2-3 years? Because with the new capacity, what could also be a peak revenue potential from a new capacity.

Nandan Pradhan: Yeah. So see, though this may sound a forward-looking statement, but, yes, when we did the IPO and everything, so overall five-year plan was of ₹500 crores. So, yes, we are stepping towards that slowly and gradually. And for the current year, we are thinking of at least doing double of what we did last year. And so let's see how it happens because the market is there.

The overall market is upbeat about everything. The infra projects are going to go, once the election results are declared. So with all that in place, we are hopeful that we can achieve what we are targeting. And then slowly with the expansion or geographical expansion, etc, year-on-year, we will grow further.

Darshil Jhaveri: Okay. So that's a great guidance. With this, when we doubled our revenue to our margin that we were thinking of bettering by 4%, 5%. So we can beat 16%, 17% at this scale, because we would have significant operating leverage.

Nandan Pradhan: Yeah. So operating margins will improve. I'm not very sure by how much percentage that only time will tell, because again, we need to look at what product mix we are able to sell. Because with 100+ products in the basket, each having a different EBITDA margin. So the product mix that goes into the market, that combination ensures a better operating margin. So let's see we are hopeful that we -- because we also want a better operating margin and we planned our product mix accordingly. So we are hoping, but let's see. Exact margin, very difficult to tell right now.

Darshil Jhaveri: Fair enough. And with such a great growth, what would be our capacity utilisation? Will we need a new CapEx after FY '25? Because we have been growing at such a great rate?

Mahesh Bhanushali: Yeah, Darshil. Currently, I already mentioned that reaching with the same product portfolio, reaching ₹200 CR to ₹250 CR is possible with the same unit. And, if we add a few machinery, and when I ask for CapEx of machinery, it's not more than ₹20 lakh, ₹30 lakh. So if we add that, the capacity keeps on increasing. So as and when for which product we will be needing more requirement, we can add that machinery and go for it. So as of now, till 2025, I don't see a bigger investment for this CapEx.

Darshil Jhaveri: Okay. Perfect. Also just one last question, we sell majorly to distributors, and we have some retail presence. So what would be the difference in margin? Isn't it better to be able to sell via directly to the

customer? So what kind of commission do we give or what's the benefit of having so much revenue coming in from distributors?

Nandan Pradhan: So, see, if we talk of distributors margin, they range between 8% to 12%. Depending on the turnovers and the schemes that we offer everything put together. The benefit, number one is the payment cycle. Number two is the local reach, and number three is the confidence that the end customer gets, because he is getting the service from a local distributor. They are the three major benefits for which we need to share some of our margin.

Darshil Jhaveri: Okay. Perfect. Great topic.

Mahesh Bhanushali: Darshil, here I would add that distributors are actually our core strength, what we believe always. And being loyal to them and working with them has always helped us to get more enquiries from them. So if my team is going and visiting two developers or getting two or three customers, so we get the lead of five or six customers from distributor itself. So that's the benefit of keeping the distributors. So giving that margin is always helpful to the company in the long run.

Darshil Jhaveri: Fair enough. Thank you so much. All the best. Great unit.

Nandan Pradhan: Thank you, Darshil. Thank you.

Moderator: We'll take the next question from Ajinkya. Ajinkya, you can go ahead, please.

Ajinkya Jadhav: Yeah. Thanks for the opportunity. Just wanted to know regarding this Ambethi Plant, you mentioned that the CapEx for this plant is ₹11 CR, right?

Nandan Pradhan: Yeah.

Ajinkya Jadhav: So on that, you said, you will be generating ₹250 CR of revenue at the peak potential.

Nandan Pradhan: Yes.

Ajinkya Jadhav: So, like these kind of Asset Turns are feasible in your industry. Like, if your competitor Pidilite is operating maybe let's say 5x or 10x, like how you can do more than that? So how we are different in terms of you can say, the plant setup from your competitor?

Nandan Pradhan: See again, like before this question also, I told like everything depends on the product mix that we offer to the industry. So and the segment that we are operating in. So when we talk of products like admixture, which again Pidilite is not doing or epoxy coating, which again, Pidilite is not doing. So those are the products where you get better turnovers at a smaller machinery or a smaller investment, I would say, you get bigger, high value products. So that helps. See what happens with -- completely see, they're giants. So they have done a lot of backward integration. They have got their own polymer plant. They have got their own epoxy plants and everything.

Whereas we purchase it from outside. So maybe our overall margins might thin down compared to them, because they have got everything in house, but the overall operational cost comes down for us because we have not done that kind of setup. We have not setup a huge polymer plant, which has got an investment of ₹25 crores to ₹30 crores. So that helps us. Of course, you have to purchase polymer from outside and slightly higher. But that combination helps us when we are of this size.

Ajinkya Jadhav: Since your raw material is a polymer so, and it's like you can say, it is made from crude. So do we have the raw material price fluctuation as well?

Nandan Pradhan: Not very regularly, but, yes, it does have. And when it has, there have been cases where it has spiked a lot. Otherwise, a normal day-to-day affair, it's more or less remains in certain boundaries.

Ajinkya Jadhav: So in cases of, you can say the huge spikes, can you pass on that price to the distributor and then ahead very easily.

Nandan Pradhan: Yes. We can. Because what happens is that that kind of spikes are not only for us, they are throughout the industry. So most of the people have to rise the pricing and distributors are ready to accept, because again, distributor have to pass on that price rise to the end customer also.

Ajinkya Jadhav: Yeah. And one more question. Like, for these plants, do you have like, you own the land or it's on leased basis?

Nandan Pradhan: Mahesh?

Mahesh Bhanushali: Ajinkya, originally initially in our presentation we said that Sarigam is our own plant, and Ambethi is our Greenfield project, which is of 3 lakhs square feet. So it is our own plant, and all the machinery then all set up. Chikli was a plant, which was on lease. So first plant was

Sarigam, where we started our production. Then we moved to Chikli, which was on lease. And then we saw the potential, and we were damn sure about the capacity what we wanted or the requirement of the market. So that is where we came and we purchased this Ambethi project. So currently, Ambethi is our own property, and Sarigam is our own property. Chikli Plant was on lease, which we now closed.

Ajinkya Jadhav: Yeah. Okay. Understood. I will come back in queue. Thank you.

Mahesh Bhanushali: Thank you, Ajinkya.

Moderator: We'll take the next question from Shubham Upadhyay. Shubham, you can go ahead, please.

Shubham Upadhyay: Yeah, good afternoon. Thank you for the opportunity. I have just one short question regarding your expansion into the NCR and the Southern region. So have you already tied up with the distributors there? And if no, what's the timeline for that particular thing?

Nandan Pradhan: So, Shubham, see let's talk of South first. So South, we have already appointed 3 to 4 distributors in Bangalore, Mangalore, Mysore, etc. region. And still we are looking out for more distributors in that region. The timeline next six months is the timeline. Again, we are participating in one of the biggest exhibitions in June, which is happening in Bangalore. So there again, we are expecting some enquiries to flow in as far as the distributors are concerned. So we are sure that with that coming in, we'll have more people joining hands with us after that exhibition.

As far as the Delhi NCR is concerned, we have already appointed distributor in Agra and one in the place in Ghaziabad. So yes, in Ghaziabad, we have appointed. But again, Delhi NCR is a huge geography. So, yes, we'll need many more distributors in that region. Similarly, in Lucknow, Kanpur, we are still identifying the distributors. So this all is going to take some time. Maybe another 6 months is the window that we are giving to ourselves.

Shubham Upadhyay: Okay. And in general, how many distributors, do you have in mind? Like is there a number you want to, and currently, how many distributors you have in the Western region, and what number are you looking at for the Southern and the NCR region?

Nandan Pradhan: So currently, we have got almost 75 distributors in the Western region. And South and North put together another 50. We are planning to add

into this. So maybe around 125 to 130 distributors. By end of this financial year, we are planning to have.

Shubham Upadhyay: Okay. Thank you. That's it from my side. Thank you so much.

Nandan Pradhan: Thank you, Shubham.

Moderator: We will take the next question from Pradeep Rawat. Pradeep, you can go ahead please.

Pradeep Rawat: Yeah, thank you for the opportunity again. Sorry for coming back to that question again. So I was scratching my head over the ₹250 crores guidance that you gave for new plant. So let me get back to that question with another angle.

Nandan Pradhan: Okay.

Pradeep Rawat: So earlier, we used to have a capacity of close 16,000 ton per annum. And the new capacity would be somewhere around 40,000 ton, right? So it's almost, 2.5x to 3x of capacity.

Nandan Pradhan: Correct.

Pradeep Rawat: And we would generate, like, we had ₹40 crores of revenue this year, and you are targeting of ₹250 crores. So it's almost 6x of revenue. So why so much delta like doubling the target?

Nandan Pradhan: Okay. So, Pradeep, see, like I told sometime back also that the entire turnover, the operating margins, everything is dependent on the product mix that we sell to the market. What is the product mix that we are selling? I'll just give you a small example. I've got a product called ready mix plaster. That product is ₹5 a kg. And then I have got a product called Magic Coat PU. It's a polyurethane based liquid membrane. That product is ₹300 a kg. So one is ₹5 a kg, another is ₹300 a kg. Now the capacity is the same. If I make 100 tons of product ready plaster, then it will be get multiplied by ₹5.

If I make 100 tons of Magic Coat PU, it will get multiplied by ₹300 which is 60x. So my turnover increased by 60x just by selling the other product. Now I need to find a customer. I need to find a product mix, which balances both of this to ensure that I get a good turnover also. I get good operating margin also, and I want to use my capacity also in a proper manner. So this combination, by that, we mean that we can go to the ₹250 crore mark.

Pradeep Rawat: Yes, so I was wondering like, you said there is one product that is of, let's say ₹30 of per kg, and one product is ₹5 per kg. And both take the same capacity to produce.

Nandan Pradhan: Correct.

Pradeep Rawat: Same CapEx. So if there is a competitor that has a same plant, which can create ₹30 per kg of product and you have another plant for ₹5 per kg. So basically, he's generating like for example, ₹300 crore of revenue and we are generating ₹50 crore of revenue from the same. If he can generate ₹30 crores of margin from this, and we can get ₹50 lakh margin from this, so why would the competition not go over there and like crowd out the market and decrease the margin overall? So why wouldn't this happen to you?

Nandan Pradhan: Okay. So see Pradeep, like, normally how the economy works is on the demand and supply scenario. So demand of certain product is X, like, the ₹5 product, the demand is maybe 1,000 tons. And the ₹30 product, the demand is maybe 100 tons. So to supply that 100 ton, there might be 50 players who are competing. That 1,000 tons, again, there might be 50 players. But that 50 players will get 20 ton a each in a 1,000 ton market.

With a 100 ton market, they might get 2 ton or someone might get a zero. So again, the capacity is again dependent on what is the demand of that product in the market. Now more the demand, the more you have to utilise the capacity in that direction, the lesser the demand, of course, it is a high value product. If the demand is not there, you cannot sell it more.

Pradeep Rawat: Yeah. Okay, fair enough. Okay. Thank you.

Nandan Pradhan: Okay. Thank you, Pradeep.

Moderator: Before we go to the next participant, I have a few questions on the chat.

There is a question from Mr. Vikas Gupta. Can you please explain how sales is done? Also, there is a ₹14 crore sales done in FY '23 through related parties. What is this, and will it continue?

Nandan Pradhan: Okay. So yes, how the sales is done? If I talk of a new city, first of all, we appoint one person over there. Either it can be based in that city itself, or it can be based out of our own head office. So he visits,

explores the market, finds out the customer base as well as the distributor base, and tries to appoint a distributor.

Once the distributor is appointed, we appoint one more person under the distributor to get enquiries or to work on the enquiries generated by the distributor, and then meeting the customer, doing the sampling of the product, giving them the best rates, convincing them on the MCON brand, and then the sales happens.

So, yes, this is how the sales happens. Now, we come to the related party thing that again, we need a distributor based out of Mumbai to sell to certain clients, certain contractors who are attached with MCON since long. So those clients who are attached with MCON, since long are being sold through this particular distributor who is a related party. So, yes, that business will continue, but that business is slowly, we are bringing it down in terms of percentages.

Like the current year, we are targeting that not more than 25% of our overall sales has to come from a related party, and then grow slowly, bring it down to 20%, 15%. And that's how we are trying to slow it down.

Moderator:

There's a question from Mr. Gunit Singh. What's your outlook for FY '25 in terms of revenue and profitability and any visibility on order book?

Nandan Pradhan:

Okay. So like I told the revenue, we are planning to double the revenue. Profitability will be maintained, and we'll try to grow it with certain percent, but not that huge we are expecting in this current financial year, because of one is the competition. So, yes, the competition is really tough. And plus, we have got to make certain offerings to the market, which is going to ensure that we'll not be growing that profitability as big. But of course, we'll maintain and grow a bit in terms of profitability. So that is the first part of it.

Like, the business outlook that is there. And if there is something on the order book or on the platter see, again, because we are dealing through distributors and even in overall Construction Chemical segment, we don't have order book as such, but yes, we have got certain tenders where MCON is mentioned and which are going to start, post monsoon. So those tenders are huge. So we are expecting some big, big orders from the government infra projects. Yeah. So that is there.

Moderator: Yeah. We will take a follow-up question from Mr. Bhasker. Bhasker, you can go ahead, please.

Bhasker: Hi, I just have a follow-up. Like you said that, some of the bigger players here like Pidilite is very backward integrated. I'm just wondering about some of the more nimble or like say players like MYK LATICRETE which emerged in last 20 years only. So are there also as much backward integrated as Pidilite into like specialty chemicals materials?

Nandan Pradhan: No. They are not.

Bhasker: Okay. Yeah, that's all is my question. Thank you.

Moderator: Okay. We will take the last question for the day from Prasenjit. Prasenjit, you can go ahead, please.

Prasenjit Paul: Thank you for the opportunity. So my question is, like, as we are focusing more on distributors, so are our distributors like exclusive distributors? Like, if our distributors have MCON product, so can they allow to sell Pidilite products around other competitor products on like he must have to sell MCON products? This is the question number one.

And second is, my general understanding is this is such a segment or such an industry sooner or later more and more deep pocket players will surely come. So either there are two possibilities, either the market is so huge that everyone can grow, or the another possibility is like the pricing wire will start, and with the pricing wire automatically the margin or the pricing of all the players will come down. So out of these two opportunities, what do you feel that is going to happen?

Nandan Pradhan: Okay. Fine. So, Prasenjit, the first question, that you asked like, can you just give me the gist what it was firstly, because...

Prasenjit Paul: Distributors, so are they exclusive distributors?

Nandan Pradhan: Right. Yeah. So the distributors are not exclusive distributors. There are a few who which are exclusive. So basically, what we are having, we are having different categories. Like, we are distributing it into the clubs, like Bronze club, Silver club, Gold club, Platinum club. So the Platinum club distributors are exclusive distributors of MCON. And then as we gradually go down, they are having more brands that they sell. And we don't force anyone to be exclusive of MCON, because end of the day, they are also there for their own survival. And secondly, it's

a business. If we are giving good service, better rates, and I would say better attachment relationship with the distributor is going to do bigger business with us rather than other brands. So that's not a problem for us, if they are doing other brands also.

And now the second part, like, more players with deep pockets coming in. So that is increasing the market. The market is getting bigger and more players can accommodate. That's not a problem. I will give you a simple example. Like, 20 years back when I used to go to a builder and talk about tile adhesive, then he had the biggest question, why adhesive? Like tiles always stick to cement, so you should not need an adhesive, we will not use it. We don't need an adhesive to fix a tile.

Today, not only in Tier 1 city, but even in Tier 2 city, most of the tiles are being fixed with adhesive. And still based on certain surveys that I read few months back, only 30% of the total tile fixed in entire India is consuming adhesive. Another 70% tile is still using the old method. So that 70% is the potential market for tile adhesive. Now with bigger players coming in, they will create more awareness and bring those 70% also to use the adhesive. So the market will increase. So it will not impact directly the business. It will create more potential or more opportunities for us all.

Prasenjit Paul:

Thank you.

Vinay Pandit:

Thank you. Since that was the last question for the day, I would request you to give any closing comments, Mahesh?

Mahesh Bhanushali:

Yes. All the lovely investors, and all the invitees, thank you very much for listening to us so calmly. And of course, a very good questions and definitely, we'll be happy to see you soon. Thank you very much.

Vinay Pandit:

Thank you. Thank you to all the participants for joining on this call, and thank you to the management for giving us their valuable time. That brings us to the end of today's conference call. You may disconnect now. Thank you.

Nandan Pradhan:

Thank you.