SIRCA PAINTS INDIA LIMITED
G-82, Kirti Nagar, Delhi-110015
011-42083083 info@sircapaints.com
www.sircapaints.com
CIN NO : L24219DL2006PLC145092

May 20, 2023

To, The Managing Director **National Stock Exchange of India Limited** Exchange Plaza, 5th Floor, Plot No. C/1 G-Block, Bandra-Kurla Complex, Bandra (E) Mumbai – 400051 **NSE Symbol-SIRCA**	To, The General Manager **BSE Limited** Department of Corporate Services Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400001 **BSE Scrip Code:543686**

SUB: TRANSCRIPT OF EARNINGS CONFERENCE CALL WITH INVESTOR(S)/ ANALYST(S)

Dear Sir/Ma'am,

This is to inform you that in terms of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the transcript of the Conference Call held on May 17, 2023, post the announcement of the financial results of the Company for the quarter and financial year ended March 31, 2023, has been uploaded on our Company's website:
https://www.sircapaints.com/wp-content/uploads/2023/05/Concall-Sirca-Paints-India-Ltd-17.05.2023.pdf

A copy of the transcript is also enclosed.

This is for your information and records.

Thanking you.

Yours faithfully

For Sirca Paints India Limited

SURAJ SINGH
Digitally signed by SURAJ SINGH
Date: 2023.05.20 11:36:37 +05'30'

Suraj Singh
Company Secretary & Compliance officer

Encl: As above

Your **Italian** Autograph

"Sirca Paints India Limited

Q4 FY '23 Earnings Conference Call"

May17, 2023

MANAGEMENT: **MR. SANJAY AGARWAL – CHAIRMAN AND MANAGING DIRECTOR – SIRCA PAINTS INDIA LIMITED**
MR. APOORV AGARWAL – JOINT MANAGING DIRECTOR – SIRCA PAINTS INDIA LIMITED
MS. SHALLU ARORA – CHIEF FINANCIAL OFFICER – SIRCA PAINTS INDIA LIMITED
MR. SURAJ SINGH – COMPANY SECRETARY, CUM COMPLIANCE OFFICER – SIRCA PAINTS INDIA LIMITED

MODERATOR: **MR. NILAY DALAL – DALAL & BROACHA STOCK BROKING PRIVATE LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to the Q4 and FY '23 Earnings Conference Call of Sirca Paints India Limited, hosted by Dalal & Broacha Stock Broking. 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, then zero on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Nilay Dalal from Dalal & Broacha Stock Broking. Thank you, and over to you.

Nilay Dalal: Hi. Good evening, everyone. Thank you for joining us today to discuss the Fourth Quarter and Full Year FY '23 Earnings of Sirca Paints India Limited. During the call, the management will be referring to the presentation and financial results, which are available on the stock exchange as well as the Investor Relations web page. From the management team, we have with us Mr. Sanjay Agarwal, CMD; Mr. Apoorv Agarwal, the Joint MD; Ms. Shallu Arora, CFO; and Mr. Suraj Singh, Company Secretary, cum Compliance Officer.

Let me hand over the floor to Mr. Apoorv for his opening remarks, followed by the key financial highlights from Ms. Shallu, post which we can open the floor for Q&A. Over to you, sir.

Apoorv Agarwal: Thank you so much, Nilay, and a very good evening, ladies and gentlemen. Heartly welcome to our Earnings Call for Quarter 4 and Fiscal Year 2023. It is a pleasure to be talking to all of you this evening. Now I will begin with a brief overview of the quarter gone by and the financial year followed by some updates on the latest strategy initiatives taken by the company.

So financial year 2023 ended on a good note for the company. We reported a top line of INR268 crores in financial year 2023 as opposed to INR200 crores in financial year 2022, meaning a growth of 34% over the previous year. This performance is despite us not being able to realize the full potential of quarter 4 of financial year 2023. Due to some external issues such as construction and spray painting bans in Delhi, NCR and regions of Haryana. We witnessed a slower offtake in January and February, the sales momentum was though regained in the month of March.

Now coming to our strategic initiatives, launch of OIKOS. As communicated in our investor disclosure earlier, the company has launched one of the most globally renowned brands OIKOS in India. OIKOS specializes in decorative solid color finishes and texture paints which has been an area of interest for us as a company. OIKOS is positioned as a luxury category product, and it will be a perfect fit for our existing business. We will be launching OIKOS across the country through our existing distribution network while also creating a specific touch point exclusively for OIKOS.

This experience center will be aimed at enhancing the brand emission in India. And at present, we have such stores already in pipeline in cities like Delhi, Hyderabad, Bangalore and Raipur. OIKOS will strengthen our wall paint portfolio and has the potential to be a very good category in itself. Thus, we have also decided to ultimately get into manufacturing of this range in India at our existing wall paint facility.

This project, though, will be taken up in a couple of quarters. Manufacturing agreement with Sirca S.P.A Italy. Another important update during the quarter has been our landmark manufacturing license and technical know-how agreement with Sirca S.P.A Italy. This is an extension of our existing relations with the Sirca group, Italy, where the company has now acquired the rights to manufacture 10 different polyurethane wood coating products in India, which were earlier imported from Sirca S.P.A Italy.

Sirca S.P.A Italy will be providing the technical know-how to us in order to manufacture these products as per Italian quality standard. These products roughly make up 50% to 55% of the company's total revenue of Italian polyurethane proteins. And thus, it will allow us to cut down our import bill, optimize greatly our inventory days of finished goods, increase our manufacturing in India and strengthen our operations on pan-India basis.

D'Aqua, the company also has recently launched a new water based days coating range, D'Aqua PU. This is a key launch in the luxury PU product kitty, in keeping with the global trends of transition from solvent-based coatings towards water-based coatings. D'Aqua PU is a safer to use in children furnitures since it contains almost no volatile object content and emits no odor because of its water-based properties, it is ideal to use for furniture for kids.

Now I will hand over the microphone to our CFO, to take you through the financial highlights for the quarter. Over to you, Shallu.

Shallu Arora: Thank you all. So now I'll highlight four, five points and then we can open the floor for the queries. So in Q4 and FY '23 revenue from operations were INR68.27 crores registering a 26% growth year-over-year and 5% quarter-on-quarter. EBITDA margins for the quarter stood at 19.2% compared to 21.6% in Q3 by 23% and 17.4% in Q4 FY '20.

PAT for the quarter stood at INR9.49 crores, an increase of 53% year-over-year, an increase of 10% quarter-over-quarter. For the full financial year, the company reported a higher ever top line of INR267.75 crores, a significant increase of 34% year-over-year. While EBITDA margins for the year stood at 23.05% higher than previous year, that was 18.9%. Net profit for the year stood at INR46.11 crores, a substantial increase of 66% over the previous year.

On the balance sheet front, we have been carrying higher inventories, which is essentially our large purchases from the Italian company for those products, which we are going to manufacture here in India. The stock will run down in coming two quarters. By the time, we will stabilize our manufacturing operations in India. Going forward, our inventory days will be reduced.

Now Nilay, we can open the floor for question-and-answer round.

Moderator: Thank you very much. We have a first question from the line of Sudarshan Padmanabhan from JM Financial PMS. Please go ahead.

S Padmanabhan: Thank you for taking my question. Sir, my question is on your strategy for the Decorative Paints, what we understand is this space is becoming extremely competitive with several new players coming in, how do you think you can differentiate yourselves from the rest to take up market share and make the visible [inaudible 0:08:50] bit more formidable?

My second question is on the capacities and the utilization. Now I understand that we had some capacities coming in, in 2021 to add the strength of the existing manufacturing unit, the other unit. Where do we see the capacity utilization and with the full utilization of capacity, how much of sales can we do?

Apoorv Agarwal: Okay. So to answer your first question, towards the decorative side, we have done a strategic tie up with OIKOS they're going to start with the sale of special texture paints which is becoming very popular globally and also in India. We have seen the market moving from wallpapers to special texture paints, which are different from solid paints that is sold by most of the key decorative players in the country. So this is a product which is a niche product, but it is going to help create the brand Sirca a popular brand for -- in above popular the wall coating industry as well.

So we are going to start with the texture business, which is very well-welcomed with the help of OIKOS in India. And with the technology, we are also going to manufacture certain decorated products which are quite different from what currently is being offered in the market. We do have a product kitty of 40 products, which stands in line with the major decorative brands in India. But besides this, with the texture paints that we are launching and a couple of products with technology of OIKOS that we are launching in solid paints, which are 200% more in coverage.

And which is can be achieved in a better time. So it is going to be a revolution product, which we are going to place with the brand positioning of Sirca where we have recall -- as we are recalled as a luxury brand. So the strategy behind decorative is with the 40 -- the products that we will be offer in the market. With this, we will be positioning with the [inaudible 0:11:05] and two high-quality products of OIKOS.

Into your second question, for the capacity utilization See, currently, if you talk about we are at almost 30% to 35% of our capex, original capacity utilization, where we are production majorly by the Unico PU and the Thinners. Now with the new setup that we have done, we have expanded our manufacturing facility. And with the start of manufacturing of 10 products which were earlier imported and now will be manufactured in India, which contributed to almost 50% to 55% of the imported sales we are expecting that the current facility in this financial year will reach to almost 80% utilization. And at the peak, what we can reach at a right product mix from this facility, about INR400 crores of revenue.

So as the peak with the right product mix, so currently, we had -- we originally had a capacity where we could reach to about INR230 crores to INR240-odd crores of revenue. Tried this, we have added six automatic mixtures, which can produce almost 18,000 meters a day. And annually, it can contribute to about 54 lakhs liter, which can again generate a revenue at the right product mix of about INR150 crores additional -- INR150 crores additionally. So together, the current cities we can reach out to about INR400 crores at peak. And as we go forward and our majority of the production switches to from NC, Melamine to PU. Yes. The capacity peak turn of the INR400 crores.

S Padmanabhan: And if I can squeeze in one more question on the working capital. You had talked a little bit about inventory coming down. But now with us manufacturing one of the key products internally. And second is, if I look at the paint industry, I mean, the raw material is all around the place. And if you look at it, so how do you manage the balance between the working capital cash flow and your gross margin?

Apoorv Agarwal: See, currently, as I told you still our 70% of revenue is coming from imported products. Now with these products being manufactured in India, the key products which are manufactured in India, we are going to cut down on our inventory days quite dramatically because currently with the import cycle being increased almost to double logistics base and the raw material sourcing, especially in Europe due to Russia situation has been a big problem. So our inventory days from Italian import has increased dramatic.

Now with this products coming to India, the raw material for producing these products in India, 99% of the products will be sourced locally from India. Currently for manufactured Unico PU, we are maintaining in capital cycle of about 35 days. The same we are expecting to maintain the same working inventory cycle for the products that now will be manufactured in India, which were earlier imported from Italy.

So the imports in Q1 and Q2 of current financial year is going to go down dramatically, which we are seeing already. And since these products will be produced in India and the raw material, which will be used to produce this is sourced 99% from India, we are going to cut down on inventory days quite effectively.

S Padmanabhan: And I would assume that it will also save a lot of cost, because I mean, the landed cost of import would be higher than the landed cost of anything sourced locally. Is that Sir?

Apoorv Agarwal: Absolutely. As we are going to save on the freight and the duty side. So we are going to save on the cost side as well.

S Padmanabhan: So how much would be the difference, sir, if I can ask?

Apoorv Agarwal: See, we are expecting on an average of about 40 to 50 liter reduction in our cost.

Moderator: We have our next question from the line of Manan Poladia from MKP Securities. Please go ahead.

Manan Poladia: First of all, congratulations on a great side of numbers. So I'm kind of new to the company. My first question, sir, is that in decorative and industrial space, what would be the revenue breakup?

Apoorv Agarwal: See, currently, if we talk about decoratives, decorate contributes to only 3% of our revenue. So currently majority of our revenue is coming from the purely wood coatings.

Manan Poladia: Okay. So this Italian PU that you are going to start manufacturing in India, broadly your saying, correct?

Apoorv Agarwal: Absolutely. So the majority from the PU and apart from the NC, Melamine, Indian PU which is manufactured in India?

Manan Poladia: Right, sir. Understood. Also, sir, secondly, you mentioned a lot on the working capital cycle and days reducing, what would be a target ROCE or ROE metric for you guys internally as a company?

Apoorv Agarwal: See, we seriously are on the higher uptick comes to inventory. And as I explained to you that with the product -- with the import still going down, we are going to cut down our inventory days, and we are expecting that we are in to cut it down almost by 50%.

Manan Poladia: Okay. Okay. Understood, sir. fantastic. If I could just squeeze in one more question.

Apoorv Agarwal: Yes.

Manan Poladia: Yes. Sir, my next question was now that you're moving your production over year as well, like since most of your production will now be products that you produce yourself. Is there a steady-state EBITDA margin outside of the jerks outside price movement that you could give? Some guidance like even a 5% range would?

Apoorv Agarwal: So yes, we will -- we add gross margins, for sure, is going to rise. But for at least a year ahead, we are not expecting any dramatic change in the EBITDA margins because we are going to use this additional savings that we have in terms of the COGS in the advertisement side and towards the market scheme side also.

So majority of the year plan to invest in the advertisement and the dealer trade margin side. So for the year, we are not expecting any dramatic changes, but -- on the long run, for sure, we expect that it should happen.

Manan Poladia: So for the next 2 years, should I say 20%, 25% as a decent guidance?

Apoorv Agarwal: Absolutely.

Moderator: We have a next question from the line of Anupama Bhootra from Arihant Capital. Please go ahead.

Anupama Bhootra: I just wanted to understand the margins when it comes to retail OEM. So I guess decorator and industrial. If you can throw some light on….

Apoorv Agarwal: So yes, on the portion coatings means the wood coatings, which is the majority revenue contributor currently in our company. Our margins and margins from retail OEM are more or less the same. We sell at a very higher price at when it comes to retail, but then the schemes flow out to contractors, architects and dealers in the form of short-term schemes, long-term schemes and ATR.

Finally, the final realization that is from -- that comes to the company from a dealer and OEM at the end of the day, we have the -- plus the same margins from both the sides. And yes, obviously, the margins in the polyurethane much, much, higher compared to the decorative.

Moderator: We have a next question from the line of Ankush Agrawal from Surge Capital. Please go ahead.

Ankush Agrawal: One broader question. If I look at last 3, 4 years, the company has gone through a major transformative -- we have gone from being soft trading company largely dealing with product largely in the North region. And now wherein we are having a lot of products like we have funded to Unico based on into manufacturing, which will lag in expand, and we have started funding for extra geographic as well.

But if I look at that, even after doing all this transformation, we are not seeing any tangible positive impact like our growth rate is now like slower than what we were doing pre-covid, the margins are still at 23%, 24% kind of the working capital is still slow pace. So what is not working over here? Like when can we expect some potential benefits coming out of this all the transformation that we have done in the last 3, 4 years?

Apoorv Agarwal: Yes. See, when we talk about the manufacturing in the Indian side, we currently, as I told you, companies say more than 70% of the revenue still is coming from the imported PU side. We have started this project of starting manufacturing wood coating and wall coatings in India. But our vision was to create, to ensure the Italian identity of the brand alive.

On the contrary, our competition was moving towards made in India products, they were earlier importing and they were starting to manufacture in India before us. Our original identity of being a pure Italian and luxury brand, we want to retain it for a longer term, keeping in mind, PU was country was specified by architects and needed that Italian identity.

In last 1 year, we have seen a major, major, major change then the PU is becoming actually a commodity and no more a technology and recently only, we have finally decided to manufacture the majority of the imported products also in India, which contributes to majority of our sales.

So now on the -- now once these products now start getting manufactured in India from the next month, obviously, the pricing of these products are going to get better. The margin in the longer term, are also going to get better with the due course of time because we plan to spend a decent amount of the money saved from manufacturing these good in India rather than importing also on the advertisement side.

So as our policy and as our vision, we wanted to keep that Italian identity, so we were slow on the side of manufacturing, the key polyurethane coatings, which we were importing from Italy in the pure brand Sirca. Now once this is going to be in the market from the next month, we are expecting that we will have a big boom and our capacity utilizations are going to should be utilized quite quickly.

So by the year-end, we are expecting 80%. So this will give us a better growth in the coming couple of years, both on the revenue as well as on the margin side.

Ankush Agrawal: Okay. So one thing over here, like what could be the margin expansion that you expect in the longer -- Obviously, this year, you want to invest in the distribution market. But in the longer run, what will be the delta that you can get once you start -- So what I was saying was like you have mentioned that this year, you were going to reinvest that some extra margins that have benefited from the manufacturing into distributing marketing -- but what is this percentage delta that you can expect in the longer term from the benefit out of the manufacturing?

Apoorv Agarwal: Yes. So keeping in mind that yes, for at least for 3 to 4 quarters, we are going to heavily invest towards the advertisement side from the advantage we have on the COGS front, and with this, we are expecting a major rise in the revenues in the coming quarters. And keeping in mind the revenue being rising from the investments already done, we are expecting the margins to rise from all the four front and keeping all the factors in mind, we are expecting that the sustainable EBITDA going forward will remain for the next 2 to 3 years in a range of 21% to 25%.

Ankush Agrawal: Okay. So we are saying for next 1 to 3 years?

Apoorv Agarwal: Next 2 to 3 years.

Ankush Agrawal: Okay. So only post next 3 years is growth in that you we'll see margin model.

Apoorv Agarwal: Sorry, in next 2 to 3 years, you will see, I missed a couple of...

Ankush Agrawal: You're saying that the margin is going to stay in the same range of 21% to 25% for next 2 to 3 years.

Apoorv Agarwal: Absolutely.

Ankush Agrawal: The benefit of manufacturing in terms of margins will start coming post 3 years is what we are saying?

Apoorv Agarwal: So as of now, the projections that we have done is also considering the opportunity that is we have in the market and also the happening that is we hear in the market. So a lot of non-paint companies are that we have seen are entering the decorative and also the wood coating markets in India. So in the paint segment, we are expecting a lot of other brands also coming in.

So we are trying to forecast ourselves and strengthen ourselves in terms of placing our products pan-India and also advertising in a way where we have a better equal value of the brand. So considering all the factors, we are expecting that we are going to spent decently considering all the factors. So 2 to 3 years, we are expecting 21% to 25%. And post that, yes, the projections that we have, if that happens, obviously, we will see a bit of rise towards the EBITDA side.

Moderator: We have a next question from the line of Piyush Jain from NX Wealth. Please go ahead.

Piyush Jain: I just want to know, currently, we have any manufacturing take whatever 70-odd percent of sales is the imported sales from Italian PU?

Apoorv Agarwal: Sorry, can you repeat your question?

Piyush Jain: Currently, do we have any manufacturing sales contribution in our overall revenue?

Apoorv Agarwal: Yes, yes. So out of the total 100%, 70% is coming from the imported and 30% is the products that are manufactured in India.

Piyush Jain: So manufactured product is in other than Italian PU will be imported?

Apoorv Agarwal: Other than Italian PU. Yes, absolutely.

Piyush Jain: Okay. So continuing what you are answering to the last participant other non-paint and other people are also entering into this wood coating market and all those things. So what differentiate yourself because of what we understand you have some tie up with Sirca and some Italian coating and Italian PU you are selling.

So is that something easily manufactured by anyone or you have something different in the product quality or something which others cannot manufacture. Or it is like anybody can enter and manufacture same type of quality or something?

Apoorv Agarwal: See, no. So what -- I would put it like this, that our PU polyurethane coatings. Till 2 years back was actually a technology, but now it is becoming the mass product. But when I say that it is becoming a mass product, it is not that the same product with the same specification can be manufactured by any one easily.

So with Sirca Italy, we have that expertise of the formulations and the ingredients of the polyurethane that we manufacture, which do give us an edge in the market. So a very small example that I put into it is that one of our key customers, Sleek Kitchens from Pune, is a very known brand when it comes to the kitchen industry was taken over by one of our competitors 3, 4 years back.

And we were supplying to this brand for last 15, 17 years, the product was set on their lines with a lot of technical assistance that we gave to the customer because PU will remain a technical product because if there's a pre-component product, there is a base, there is a hardener, there is a thinner. It behaves differently in the different weather and we have learned this from last 22 years because we are the oldest selling polyurethane coatings in India.

It is becoming mass, but it do require a technical support when it comes to achieving the right quality. So we believe that the product can be manufactured by anyone, but to give it the right justification, sir, the product is manufactured, now, the justification of the product is when you give the right results. There, we have the best expertise.

So coming back to Sleek, still, it has been owned by one of our competitor brands who do similar good coatings, but they could not replace the products that were used by Sleek Kitchens when it was kitchen grace. So like this, yes, we do have our own expertise. We do have our own key areas, which allow us to stand out, especially in the OEMs when it comes to the retail side also because we are able to give that kind of technical support. So all our teams are techno sells in that respect.

Piyush Jain: So Sleek Kitchens has been -- have come back to us again or not?

Apoorv Agarwal: Yes. I'm saying that Sleek Kitchen is still using our product, even being even after taken over by -- yes, still -- they never stopped.

Piyush Jain: Okay. Sir, capacity utilization, you said 35% year remain, correct?

Apoorv Agarwal: Yes, absolutely.

Piyush Jain: So what is your future guidance where we can achieve some around 70%, 75% ramp-up of the capacity can be done because what I recollect from the earlier earning call also you given some target of 25% to 30% of growth and that is also a conservative side and maybe we can grow by 40% or something. So we -- considering the competition you mentioned, do we still want to stick with this growth number? And when we can achieve a 75% to 80% type of capacity utilize?

Apoorv Agarwal: Yes. So our numbers still remain aggressive when it comes to the growth, we are expecting 40-plus CAGR growth. And we are once -- now once we have entered into this technical know-how agreement and the things for this are going to -- will be in action in the coming months. So we are expecting that now these 10 products will be manufactured in our own facility in India. So we are expecting that from -- 1 year from now, we will be able to utilize minimum of our 75% capacity.

Moderator: We have a next question from the line of Satwik Jain from Generational Capital. Please go ahead.

Satwik Jain: Okay. So just a quick two questions. So firstly, there was a INR35 crores increase in other financial assets. So last year, it was negligible around INR1.27 crores. So could you just shed some color on probably on what this is -- whether this is receivable, short-term receivables? Or like what kind of other financial effects are these?

Shallu Arora: Okay. Yes. So to answer your question, other financial assets. So basically, we have a short-term -- what I was saying, I was saying that under other financial assets, we have basically a short-term investment. So approximately, that is INR34 crores. So ideally we were totally into a conventional model of investing into FDs. But this year, we have upgraded ourselves into risk-free short-term investments like commercial papers. So all those commercial paper and short-term investments as capitalize that -- categorize that under other financial assets.

Satwik Jain: Okay. Perfect. So this would include CPs and short-term mutual fund that mutual funds broadly?

Shallu Arora: Yes, yes.

Satwik Jain: Okay, sure. And the second question was like what it's like -- could you give a color on what is the credit period you give, say, compared to peers because right now it also we see the receivables are at around INR50 crores plus in the balance sheet, I'd say INR260 crores turnover for the full year. So are we -- in the future, are we looking to reduce that credit period we get to our vendors?

Shallu Arora: Okay. So last year, we have approximately debtors days 65 days. But this year, we have reduced the debtors days. No doubt that debtors have increased, but debtors days have been reduced. And moreover, we have -- we have a team with us that is known as -- credit control team. So the -- this is the -- in last quarter, in the first quarter, we have made this team just to have a control over the credit base and receivables amount.

Apoorv Agarwal: So just to add to that, that our average receivable days from the dealer side is still on -- it's still higher when it compares to peers, but it is about 45 days. But when it comes to the OEM sales, it has gone up to 90 days as well. But as I told you earlier, are key customers like Godrej or Sleek, they are -- all Indoline, still are working with us either on L3. And last year, we have also introduced the channel financing.

So this year, all our key distributors, which comes towards the retail side and our key OEM clients, we are expecting that we will enrolled them in the channel financing, again, which will help us to have our money back on time by offering them a marginal cash discount. And this will, in better our debtor days. Yes.

Satwik Jain: Understood. And the last question was, say, by '25, '26. We see ourselves as a full manufacturing company or it will be a trading plus manufacturing company? Because that time in addition to that, could you shed some light on the future capex also? Because like from what I understand, INR400 crores at peak if we have the right product mix, if possible from the existing Sonipat facility only.

Apoorv Agarwal: Yes. So going forward, our manufacturing is going to increase in the coming years. But on the other hand, when it comes to the import side, as we mentioned in our opening comments that the global trends are changing, the market slowly are changing by following the global European grant from solvent-based to water bond coating. So all the water bond and high-quality acrylic coatings that we are importing from Sirca.

We expect that in the next 3, 4 years, the import of these products are also going to rise because the markets are maturing, architects, especially doing luxury products who used to use PU earlier now will start moving towards acrylic and water bond coatings. So these two categories of acrylic and water bond PU.

We still intend to import from Italy till it remains the luxury product. So we expect the very 2025 that we will be importing this product and the import of these luxury products as we forecast the demand considering the global trends will increase. So our imports of these products is going to increase. So the imported contribution will remain until 2025. It's not that we will be 100% manufacturing company.

Moderator: We have a next question from the line of Milind Karmarkar from Dalal & Broacha. Please go ahead.

Milind Karmarkar: I had a couple of questions. One was basically that by talking to the large players in paint industry, they are also getting into the kind of segments where you are already present and probably you're the market leader. So I wanted to understand how will you sort of defend your position when it comes to the leadership which you are currently enjoying.

Apoorv Agarwal: Yes, see. So as I told you, we carry a decent experience of wood coatings when it comes to when it comes to the market, we do hold. We can say the best experience of wood coatings brands and wood coating though it is becoming a mass product and it is attracting a lot of big non-paint players. But still, we cannot ignore its technical side.

So our expertise is that we are still able to provide technical support on the ground when it comes to the retail contractors or the OEMs. So with this expertise, secondly, we run a strong contractor loyalty program where we still feel that contractor after architect is still the key influencer of the wood coatings business in India.

Thirdly, we have seen a major shift in sales of polyurethane coatings also from retail to OEM, especially in the metro cities, Tier 2, Tier 3 and smart cities where now a lot of job that used to happen on site is now moving towards the OEM because people want that okay, Kitchen and Wardrobe, take it from manufacturers of kitchen and wardrobe, take readymade furniture, so onsite work is going down in the metro cities, which is, again, is a big opportunity for us because we are one of the suppliers where we supply companies that we supply directly to such OEMs and we provide the technical support on the contrary any big player that you named, they are more into the primary sales.

They believe in dumping the material and selling it through the dealer with a lease involvement in the technical adjustments to the big OEMs to achieve the final finish that Italian product needs or is testified by application of Italian product. So we do have those expertise, which allow us to be sent out from the market. On the other hand, we are able to manage our distribution network on the retail side in a way where we are able to secure a decent margin to our retailers.

So the interest of the retailer in brand Sirca, where we have a strong recall value in the northern India and we are going to create a strong recall value in the rest of India with the advertisement campaigns coming right bang on time. So this will also allow us also to be recognized as a luxury PU brand in the retail segment also in the rest of India.

Both are known by each and every architecture of India. But keeping all these factors in mind, we see that we do have a strategic advantage when it comes to the opportunity that lies in the market for a couple of years. So we are seeing it as an opportunity. And we think that we will be able to take the majority of the cake with the kind of infra for wood coatings that we have in terms of team, in terms of the product and also in terms of the future initiatives that we are taking separately and the advertisement side.

Milind Karmarkar: Okay. One more question. Geographically, what are your sales in percentage that is in different North, East, West, South. If you could broadly tell us?

Apoorv Agarwal: So yes, right now, 70% of the total sales is coming from the Northern India. Yes, which is like Delhi, NCR, Punjab, Haryana, U.P., Rajasthan and M.P., then other 30% is coming combined from East, West and South. But as I told you that the distribution in South and West is going quite strong. And with these key products manufactured -- being manufactured in India with the price advantages you are going to penetrate in a better way.

So we are seeing that. Obviously, the shift -- the revenue mix will remain like this for another 3, 4 quarters because we are expecting the other state revenue to rise. But on the other hand, we see still a very big opportunity of increase in revenue from the northern part of India. So it is not that the Northern is at saturation. We are seeing very fast and big possibilities of growth from the Northern India. So the mix still should remain for other 4, 5 quarters like this and then yes, we can see slight changes.

Moderator: We have a next question from the line of Rusmik Oza from 9Rays Equity Research. Please go ahead.

Rusmik Oza: I just want to understand if you can quantify the exact amount you're going to spend on a, advertising promotion and on distribution vis-a-vis FY '22 but also, FY '23. So we can just know the amount you're going to spend on advertising, promotion and distribution going ahead.

Apoorv Agarwal: Yes. So when it comes to the advertisement and promotion side, we have assigned almost 5.5% of the total projected revenue for the financial year. So this will be spent on -- purely on the advertisement and the marketing side. The campaigns are already being finalized, and we expect to utilize more in Q2 and Q3, the majority of the chunk and the balance on Q4.

On the distribution front, we are expanding our depots. And on the other hand, also, we are expanding our network through distributors, which is also allowing us to invest upon the exclusive studios of Sirca and OIKOS to create a luxury touch and feel for the customer for experiencing our finishes, which will be pure Sirca, OIKOS experience centers where we are working already in two studios in Delhi, one in Bangalore, one in Hyderabad and one in Raipur, which are already in process, and we are expecting to complete them in the next 2 months. So with this, we are expecting that almost 3%, 3.5% will also be spent towards the distribution side on of our total revenue and 5.5% on the advertisement side.

Rusmik Oza: So both these figures, what would be the number in FY '23, sir? The 5.5% and 3%, you said will be around 8% to 8.5% for FY '24. What could be the corresponding figure for FY '23 in terms of percentage of revenue?

Apoorv Agarwal: See, we are expecting almost a INR15 crores to INR20 crores spent on the advertisement and the marketing side, another INR10 crores to INR12 crores on the distribution side.

Rusmik Oza: Okay. My second question was, now because of this manufacturing in-house or utilizing levels hit around 80% by end of FY '24. So what could be the capex going forward to meet this future requirementsbecause you're talking of growing at 35%, 40% CAGR. And secondly, I think in your opening remarks, you mentioned something that you might look in the next three quarters, four quarters about starting to look at manufacturing this luxury paint, which you are trying to have a tie-up with Sirca. So what could be the capex for the new initiatives you're looking at on the luxury paints going forward?

Apoorv Agarwal: Yes. So on the capex side, we are expecting almost a capex of INR5.5 crores for a wood coatings plant in Coimbatore, another INR5.5 crores of for a manufacturing plant in Shirwal and INR3.5 crores to INR4 crores on the capex of new wall paint expansion with OIKOS. So altogether, approximately a INR15-odd crores capex is planned considering the growth in the manufacturing side of polyurethane and the OIKOS based water-based products in this year.

Analyst: Okay. Any fresh capex for FY '25 also if you want to quantify?

Apoorv Agarwal: Any fresh capex for?

Analyst: Next year, that is FY '25?

Apoorv Agarwal: No. Practically, these three capex will allow us to reach to our projected goals and numbers.

Analyst: Okay. Thank you, sir. And best of luck.

Apoorv Agarwal: Thank you.

Moderator: Thank you. We have our next question from the line of Ankit an Individual Investor. Please go ahead.

Ankit: Good evening, everybody. This is Ankit, Chartered Accounted. So first of all, I want to convey my congratulation to the entire team of Sirca for the bonus issue. And I appreciate specially Mr. Suraj, who keeps us informed and our call and queries were response back timely. And I wish bonus shares would be credited shortly as I have been intimated that he's in the process to get the share credited.

And now I got financial of our company yesterday. So in this regard, I have a query to our CFO, Ms. Shallu. Ms. Shallu, as you have uploaded the financial statement, which is divided into two parts, that is quarter ended and year ended. And it's from my view, and what I have seen that you have been releasing an audited quarterly result on a quarterly basis. But as I can see, you have written fourth quarter is audited, is it audited? Since if it is audited, then all quarter must be audited, and you are releasing the quarter result with a limited review report. And I think, there's some confusion. So kindly, I request Ms. Shallu to clarify on the same.

Shallu Arora: Yes, so you know, I already had a discussion with our auditors regarding this, but our auditors are of a view that quarter 4 is audited, because they are auditing, whole year and at the same point of time, they are auditing a quarter 4 as well. So this is the only reason, but you if you are saying so, I will arrange a meeting with my auditors and meeting with my auditors as well again, I will let you know.

Ankit: Actually, this is divided into two parts. If it is audited, then it should be aligned with the financial or the annual financial statement. I think.

Shallu Arora: No worries. I got your point. I will of course, I will again, already I had a discussion with my auditor, but they are of this view. But if you insist that I will have a discussion with them again, and we'll let you post it.

Ankit: No problem. Thank you. And my next question is to Mr. Apoorv. Mr. Apoorv, as you have launched OIKOS, outsource in India, for which you have intimated in exchange earlier, I would like to ask that what is your vision on OIKOS since it is a premium product? And how will you differentiate with your competitors at Indian market? You know, it's hard to adapt a new brand among so many existing premium brands.

And this and one more question and I'm concerned that the last year company had given dividend of INR2 and this year company recommends dividend of INR1.5. However, I welcome the same, but you know, as our company is growing and continuously making profits, therefore, the dividend must also be in line of the same. Since I have been associated with Sirca for a long time and expecting fruitful return for my patience and commitment. Yes, Mr. Apoorv.

Apoorv Agarwal: Yes. So to answer your first question, OIKOS, as I also explained previously that with OIKOS, we have started initially the promotion of textures paints, which is replacing the wallpaper markets in India very aggressively. So these are special textures and not the solid paint unlike the other competition brands being sold in the market, which is sold with high recommendation of the designers and which is allowing us to enter also our wood coatings along with OIKOS when it comes to the designer specification of products in their projects.

So with this, the products that the OIKOS range has, the brand resemblance that OIKOS already have in India, we believe that we are going to be benefited in a very strong way with our visibility of brand amongst the architects and also with the retail points that we are opening, the experience center of OIKOS and Sirca is going to give that luxury feel of the products to the final customer also.

So OIKOS initially will be placed as a pure luxury product line in the retail and the architect segment with the texture paints and slowly and steadily, we are also going to manufacture certain solid paints, which are standout products of OIKOS globally, which will be clubbed with our 14 decorative product range, which will be the high quality products, no smell, no VOC and with 200% more coverages of what being offered currently in the market. So we are going to play with OIKOS very strategically, which and all the moves of this OIKOS is also going to enhance and improve and aggregate our sales of Sirca wood coatings as well.

Moderator: Thank you. We have a next question from the line of Vijay Chauhan from Right Horizon. Please go ahead.

Vijay Chauhan: Yes, hi, and good evening and congratulations on strong set of numbers. So there were some challenges in the current quarter. So what are the, what is the situation right now? Is it, has it been normalized or any challenges we are still seeing on the ground or is it normalized one? Yes.

Apoorv Agarwal: Yes. So challenges related to the construction bands and everything is 100% normalized. We are seeing a good back again on the demand side of when it comes to the coating. So as we talk about the current situation, we don't, we are not experiencing any challenges related to what we had in the last quarter.

Vijay Chauhan: Yes, that's helpful. And secondly, on like, we have like a geographic reach of 70-30, majorly on the north side. And we are also coming up with a lot of new products and manufacturing initiative with the Sirca SP and all. So what is our on-ground execution strategy in terms of adding more dealers or what is our volume growth expansion strategy, if you can explain us in little bit detail, like how we are planning to expand our dealer network. It has gone up substantially in the last three, four years, but reaching from almost, it has reached 1,825 right now. So how are we planning on the dealer expansion side? Yes.

Apoorv Agarwal: Yes. So, with the initiative of manufacturing these 10 imported products now in India, that step has been taken considering big opportunity in the market and PU becoming a mass and a product of primary as what we hear from the market and what we smell from the market. So considering this, we are going to expand our distribution network in the north India as well, means our dealer footprint will increase, but not very aggressively in terms of the numbers. We are expecting that we will have a rise of about 15% to 20% increase in our dealer network in the northern part of India and more than 100% in the rest of India by this year end.

But on the other hand, the contribution of sales by the 80% of the dealers is going to rise dramatically means that in the northern part of India, the retail sale 80% was contributed by 20% of the retailers. Now the contribution from the rest 80% is going to increase quite, with a visible effect. That is what we are working on the ground. So we are going to activate, say, an average dealer of 50,000 a month, we are going to take him to say 100,000 a month.

Vijay Chauhan: Right. So we are trying to double the sales per dealer level, is it correct?

Apoorv Agarwal: Yes, the smaller dealers which were registered as a dealer with us, but he was working with a limited, he was contributing a limited revenue to us. So now, since as I mentioned you with the production being in India with the PU being placed as a mass product with the right strategies related to marketing and advertisement we have, we are planning you know, we are on ground quite confident to activate these dealers with the increased revenue. So this 80-20 principle we want to change to 60-40.

Vijay Chauhan: Right, that's quite helpful. And lastly, on the advertising side, like, we are planning some ad or something with some Japanese marketing companies. So is there any like progress on that front or any new plans?

Apoorv Agarwal: Yes, absolutely. Our three properties are already done with all the approvals and everything and very soon in the in the coming, quarters and coming weeks, we are going to see our campaign live.

Vijay Chauhan: Yes, thank you very much and best of luck for the future. Thank you.

Apoorv Agarwal: Thank you.

Moderator: Thank you. We have a next question from the line of Vivek N from Shanthi. Please go ahead.

Vivek N: Yes. So with respect to the bonus issue, can you just give me some details around that? I'm unable to find anything wrong.

Apoorv Agarwal: Shallu, can you answer this question?

Shallu Arora: I'm not able to hear your voice properly.

Apoorv Agarwal: He's asking about the bonus issue that what we have given the bonus issue. He needs more details on that.

Shallu Arora: So bonus issue is one is to one.

Vivek N: Yes. What was the dates for the issue?

Shallu Arora: Mr. Vivek, actually, I'm not able to hear you properly.

Moderator: Yes, Mr. Vivek, you're not audible. We'll take the next question from the line of Sahil Doshi from Thinqwise Wealth Managers. Please go ahead.

Sahil Doshi: Yes, the question was more on the cash flow perspective. If I see over the years, because of the working capital squeeze, the cash flow generation hasn't really been strong. You did allude that with the manufacturing, you expect inventory days to go down. So could you just possibly indicate over the next three years, where could we stand at and what are the working capital days which you're targeting?

Apoorv Agarwal: Yes, see, with the imports being going drastically down in the coming quarters, we are expecting that our inventory days will go down dramatically in the coming quarters. And on the other hand, also the data side. So we're expecting almost a 50% improvement on the inventory side and maybe 25% to 30% improvement on the debtor side. So this will allow us to generate, say by the year end and in next two years, a decent amount of free cash flows.

Sahil Doshi: Okay. So you did also mention that you will still continue to import 20% to 25%. So roughly, is it fair to say that your working capital will go down below 90 days, or how is it just an indicator number on a blended basis?

Apoorv Agarwal: Absolutely. As a, as a part, as in, as our first project, it is going to be between 75 days to 90 days. This is our first step target. Which we think, you know, we...

Sahil Doshi: On a blended company basis or just the domestic operation?

Apoorv Agarwal: No, with the blended company, with the domestic plus imported operations.

Sahil Doshi: Okay, understood. And with the distributor skills, which you are planning to launch or further aggressively expand that, do you think then the debtors days will increase? Because you require some support for them to be also pushing the product given the large manufacturing set up which you plan to ramp up?

Apoorv Agarwal: No, so we are not expecting our debtor days to increase because as I told you, on the retail side, we are still offering a very decent amount of credit days compared to the peer competition. And with the big retailers and the big distributors, we are strongly switching to the channel financing model, wherein we have started enrolling a lot of people and we expect that this year, we are going to enroll all our big distributors and retailers which contribute to a decent amount of revenue in the company. So, likewise, we are not going to let our debtors days increase at any cost.

Sahil Doshi: Understood. And so, just the last one, at what stage would you start thinking about another capex? At what point? And how long would that take in terms of from planning to execution?

Apoorv Agarwal: See, we have already planned almost three capex, one in South India, one in West India related to the wood coating production, also considering the exports after starting producing imported products in India. And secondly, third capex towards the wall paint side with the oil cost paint to manufacture certain solid products of super high quality. So, altogether, a INR15 crores-odd capex is planned within this financial year.

Sahil Doshi: Okay. And what will be the revenue contribution potential of this?

Apoorv Agarwal: So, we are expecting again about INR190 crores to INR200 crores additional, INR200 crores additional revenue generation from this capex.

Sahil Doshi: Okay. So, your existing setup can fully give you around INR600 crores to INR700 crores capex revenue, is that correct?

Apoorv Agarwal: So, at the peak, when we manufacture majority of the polyurethane products, where the average realization stands out much, much better than producing by selling NC melamine and thinners. Yes. But with the right product mix, current facility with the expansion, we estimate about INR420 crores to INR430 crores, but it can go up to INR500 crores, INR550 crores, considering the manufacturing of majority polyurethane and lesser of NC and melamine.

Sahil Doshi: Understood. Thank you so much for your answer.

Moderator: Thank you.We have a next question from the line of Manan Poladia from MKP Securities. Please go ahead.

Manan Poladia: So, my question is regarding, you mentioned the capacity utilization being, say, 30%, 35%. What I didn't understand was this 30%, 35% is on the 30% revenue that we manufacture over here. This does not include the Italian PU, correct?

Apoorv Agarwal: Yes, correct.

Manan Poladia: And you said something else afterwards about INR400 crores, INR550 crores and 75%, 80% utilization, which I did not understand, like when you were answering the first participant's question. So, if you could just clarify on that, that would be great.

Apoorv Agarwal: No, sorry, I didn't get your question. Can you come back?

Manan Poladia: So, you mentioned to the first participant something about your peak revenue being about INR250 crores and now after your capacity expansion, it's being close to about INR400 crores with the six new mixers for the Italian PU and the thing about capacity utilization. So, what I wanted to understand was, if your new capacity of Italian PU, how much is that in terms of liters or mtp, whatever metric you use and how much Italian PU did we sell last year? Also, like what is this INR250 crores, INR400 crores in math, I genuinely don't get it.

Apoorv Agarwal: See, the revenue that we did last year, 70% of the revenue in numbers, because Italian polyurethane coating has a very high realization, in terms of average realization of Italian PU is much higher. So, 70% of the revenue was coming from the imported PU from the last year numbers and 30% revenue in numbers was coming from the products that we were manufacturing here. Now, with the increased capacity of almost 18,000 liters a day and in a year about 54 lakh liters a day and considering the production of same products now being in India and considering the growth that we can generate with the better pricing and with the better distribution, with the better adjustment this year, we are expecting, that we are going to utilize the 80% of this combined facility in one year from now.

Manan Poladia: Okay, understood. Fantastic. I have some more questions, but I'll email you those afterwards. Is that all right?

Apoorv Agarwal: Absolutely, sir. It will be a pleasure. Yes.

Manan Poladia: Perfect. Thank you. Thank you so much.

Moderator: Thank you. We have a next question from the line of Ankush Agrawal from Surge Capital. Please go ahead.

Ankush Agrawal: Yes, hi. Thank you for the opportunity. So, just one question. So, earlier we had a paints partnership with San Marco Group. So, what didn't worked out over there that we have to shift to a new partnership? And is there any change in the paint strategy? Because earlier it was more of a leverage strategy wherein we wanted to offer a more complete portfolio to our distributors. And now we are looking at some more major source with opening of like special distributing paints for it. So, if you can highlight on this.

Apoorv Agarwal: Yes. So, yes, with the San Marco Group. So, San Marco Group also had another brand by the name of Nova Color, where they were associating with Asian paints from last 10 years. And last year, they had some very big arrangements with them wherein they had to take this decision of moving ahead with San Marco Group in a different way with their Nova Color partners, Asian paints. So, that is why we had to take a call rather than spending another two years with San Marco brand. We took this initiative of taking this better opportunity of OIKOS in India, which was in India for last six years to eights years. So, we entered into a very strong, secured agreement with them of promoting OIKOS in India.

So, with OIKOS, as I told you, and we are going to open the stores wherein we are going to give a very luxury experience. This will be all related to the textures and not the solid paints. So, means the special paints that we are offering in the market, which is a replacement of a wallpaper, you can talk about, which is more artificial and with this, you get more natural effects. So, architects globally, with the global trends are moving towards the textures. So, our concentration is there to on the textures to place it very luxuriously and take advantage also on the wood coating side.

But considering, the rest of the wall paint kitty products that we added with the strategic move of completing the kitty, it still remain, the strategy behind the general wall coating products still remain the same. We wanted to complete the kitty of the product so that we can enter pan-India aggressively. That is why now with the expertise of OIKOS coming up, this portfolio, even gets stronger and we can generate in the coming years a very good visible numbers also from this decorative division.

Ankush Agrawal: Okay. That's it. Thank you.

Moderator: Thank you.Ladies and gentlemen, that was the last question for today. I now hand over the call to Mr. Apoorv Agarwal for closing comments. Over to you, sir.

Apoorv Agarwal: Thank you, ma'am. So, it was a pleasure speaking to all the shareholders and I would like to end this call by saying that when it comes to the wood coating market in India, we have seen some dramatic changes in last one year when I have also explained in my opening comments and during when I was answering a lot of questions and interesting questions from the investors and the shareholders that there is a big opportunity that we see in the market for next two to three years when it comes to the coatings business.

That is why a lot of non-paint and paint companies are attracted to this segment and we believe, we strongly believe that with the kind of expertise we have in this segment, we are going to make Sirca much more visible than it is today in next two years to three years because the opportunity is there in the market and we are going to capitalize it.

And we believe with all the expansion that we are doing, with all the important agreements that recently we have done with Sirca Italy with the kind of support we have with Sirca Italy, from Sirca Italy and OIKOS with the kind of management bandwidth that we are growing in this coming quarter, we are going to be one of the most visible players when it comes to the paint and the coating segment and I truly look forward for all the support from all of you. So, thank you so much.

Moderator: Thank you, sir. On behalf of Dalal & Broacha Stock Broking that concludes this conference. Thank you for joining us, and you may now disconnect your lines.