

**May 22, 2024**

To, The Managing Director <b>National Stock Exchange of India Limited</b> Exchange Plaza, 5th Floor, Plot No. C/1 G-Block, Bandra-Kurla Complex, Bandra (E) Mumbai - 400051 <b>NSE Symbol-SIRCA</b>	To, The General Manager <b>BSE Limited</b> Department of Corporate Services Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400001 <b>BSE Scrip Code:543686</b>
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**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 21, 2024, post the announcement of the financial results of the Company for the quarter and financial year ended March 31, 2024, has been uploaded on our Company's website:

<https://www.sircapaints.com/wp-content/uploads/2024/05/Transcript-Sirca-Paints-India-Ltd-22.05.2024.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**

**Hira Kumar**  
**Company Secretary & Compliance officer**

**Encl: As above**



**“Sirca Paints India Limited Q4 Investor Meet  
Conference Call”**

**May 21, 2024**

**MANAGEMENT: MR. APOORV AGARWAL – JOINT MANAGING  
DIRECTOR, SIRCA PAINTS INDIA LIMITED  
MRS. SHALLU– CHIEF FINANCIAL OFFICER, SIRCA  
PAINTS INDIA LIMITED  
MR. HIRA KUMAR – COMPANY SECRETARY, SIRCA  
PAINTS INDIA LIMITED**



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**Moderator:** Ladies and gentlemen, good day and welcome to Sirca Paints India Limited Q4 Investor Meet Conference call.

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

I now hand the conference over to Mr. Apoorv Agarwal, Joint Managing Director. Thank you and over to you Mr. Agarwal, please go ahead.

**Apoorv Agarwal:** Thank you. My name is Apoorv Agarwal, and I am the Joint Managing Director of Sirca Paints.

Today on the call, I have with me our Chief Financial Officer (CFO) – Mrs. Shallu and Hira Kumar – our Company Secretary. So, again, a very good evening, everyone and a very warm welcome to the earnings conference. It's 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 updates on recently signed agreement with OIKOS S.P.A. Italy for manufacturing of higher value-added paints and the acquisition of business undertaking of New Wembley Products LLP. So, Financial Year 2024 ended on a solid note for the company. We reported a topline of Rs. 312 crores versus Rs. 268 crores in Financial Year 2023, thus registering a growth of 16%. This performance demonstrates the dominant position of Sirca Paints in the wood coating market. Quarter 4, though, was not the easy quarter for the whole industry due to muted demand in January and February and deep discounts offered in the market due to inventory is talking from the competition. However, we saw a decent offtake in the month of March with continued momentum going forward.

Now coming to the recent developments with respect to our distribution agreement with OIKOS for the high value-added paints:

We are going to manufacture the five set high value products namely Ultrasaten, Supercolor, Rasokol, Il Primer and BLANKOR in India on the technology of OIKOS, Italy. These products are ultra-high-quality emulsions with A+ air quality standard, no smell, environmental friendly, and are the future products of decorative paint industry. With the increasing labor problems in India every year, these products will bring a revolution in Indian paint industry.

So, okay, now coming to the recent development with respect, which has happened just yesterday, it's a new acquisition. And let me give you some brief on the same. So, we have acquired Welcome brand at an attractive valuation of Rs. 20 crores. In Financial Year 2024, the topline of the company was Rs. 50 crores with an EBITDA of about 14%. Welcome Brand is a very strong brand in its segment and in some parts of Northern India and there is a huge scope to grow the business in the other territories of North India. The company aims to double the sales



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revenue in next 1 year of the Welcome brand. Acquisition is quite EPS accretive. Business is quite scalable. Welcome is the industry leader in its product segment. The margins further can be improved, and it is a high ROE investment.

Further, with the new strategic development with Sirca Italy, Sirca India will be focusing aggressively on the export to Asia Pacific this year, which started from Q4 itself and already Sirca Paints have received order of 346 containers with advances.

With this, I would like Shallu to put some light on the financials. Thank you.

**Shallu:** Thank you so much. So, now I will brief you about the Financials.

So, in Quarter 4, revenue has increased by 21% on year-on-year basis, that is from Rs. 68 crores in Q4 FY23 to Rs. 83 crores in Q4 FY24 and EBITDA has increased from Rs. 13.20 crores in Q4 FY23 to Rs. 16.25 crores in this quarter registering a growth of 24% and PAT growth of 32% from Rs. 9.49 crores to Rs. 12.51 crores on year-on-year basis for the last quarter. For the full year Financial Year '24, company has reported its high ever topline of Rs. 312 crores delivering a growth of 16% from last financial year and EBITDA growth of 12% and PAT growth of 12% as compared to last financial year.

EBITDA margin for the whole year stood at 22% and on the balance sheet front, continuous efforts are on reducing the working capital base. And we have also planned a CAPEX of Rs. 10 crores in this financial year, which will be done from internal accruals for the new plants for producing the OIKOS products.

Thank you so much. Now I'll let you open the session for the query.

**Moderator:** Thank you. We will now begin the question-and-answer session. The first question comes from the line of Bharat Gupta of Fair Value Capital. Please go ahead.

**Bharat Gupta:** Hi Apoorv, a couple of questions from my side. So, first, if we look at the geographical mix, so can you share some data points with respect to how much are we concentrated with respect to Delhi NCR market over FY24 and also in light of it with government curbing out the construction activities in the winter amidst pollution, how are we looking at the scenario and what steps we are taking in order to make a presence outside Delhi NCR market?

**Apoorv Agarwal:** Thank you for the question. So, if we talk about the whole Financial Year '24, again only from Delhi NCR, almost 40% of our sales of the total year were coming from only Delhi and NCR and we have registered almost 20% growth in the dealer network earlier from 174 dealers altogether in Delhi NCR, we are now almost working with 210 at same shops. And considering the effect of pollution, which happened in the month of late November and carries till early January, leading to a very low sales in this region, we are strongly concentrating to expand our network also in the East and the South in retail, along with Gujarat. So, this year the company



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already has focused to strengthen its retail network in specified states like Ahmedabad, Surat. Surat has begin on a very positive note this year, along with that key states of South like Hyderabad, Bangalore and Chennai and very strongly in East with Kolkata and the allied areas. So, practically from Delhi NCR, in the month of November-December quarter 3, company almost loses a sale of Rs. 10 crores, so we have a very active plan that if it happens the same way this year, the company is going to recover Rs. 10 to Rs. 12 crores sale loss from the specified region with a very strong plan on the paper.

**Bharat Gupta:** Right. And with respect to expanding our network in the other areas, so any headcount like in terms of addition to the salesforce as well as in order to improve our network. So, how much dealer additions are we planning for FY25?

**Apoorv Agarwal:** FY25 from the new regions, we are expecting almost 50 strong exclusive retailers to be added. The company will be working on the strategy of giving exclusivity in a radius of 3 Km for active interest of the retailer to start the business with. So, for example, if you talk about Surat, we have added almost 17 retailers in Ahmedabad, almost 30. Likewise in Bangalore and Hyderabad, we will add another 30 to 40 retailers and the same way in the East. So, from all the three territories, 50 retailers each counting to almost 150 active retailers to be added this year and to ensure that sales, in quarter 4 already we did some aggressive hiring from the wood coating industry itself for the regions of Gujarat and the South and also East where the momentum has already started to show in the numbers.

**Bharat Gupta:** Right and also in your opening remarks, you mentioned that you have an export order. I remember when we met last, you highlighted that you will be in talks with the parent company for supplying out to the Saudi Arabia or the Middle East market. So, what's the development on that trend? And with respect to Asia Pacific, so which all regions are we targeting and what kind of opportunity can come in hand for us?

**Apoorv Agarwal:** So, with our manufacturing agreement coming into live action in late November, the production facility has been ramped up with the production of 10 to 12 set products of Sirca Italy and these products now being tested in the Indian market are all ready to go for export. The first three containers are moving majorly in the neighbouring countries of Nepal, Sri Lanka and some parts of Middle East. Going forward, yes, we already have our materials under testing in Dubai and Saudi Arabia and also in some parts of Eastern Europe.

**Bharat Gupta:** So, any timelines are we sticking on that trend like when can we expect the order from the parent company towards supplying out to the Middle East market?

**Apoorv Agarwal:** Yes. So, I think already the three containers which are going to move will move in the quarter one itself. And again within the quarter one only, we are expecting some live action to happen in Dubai and by quarter two, we are expecting that the samples, which have been sent through Sirca Italy to some Eastern European countries and to other parts of Asia Pacific should come



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and we would have at least 6 to 7 containers of export in by quarter 2. So, in quarter one, we're expecting to go ahead with 3 to 4 containers, which will be more in Sri Lanka, Nepal and Dubai.

**Bharat Gupta:** Next question is pertaining to the utilization levels across the Sonipat facility. So, like what will be the current utilization level and how are we planning to ramp it up and like what kind of revenue are we expecting from the in-house manufacturing capability?

**Apoorv Agarwal:** So, now we talk about the run rate of the manufacturing facility after the manufacturing agreement coming live into action with the first full batches coming into place in November from December, January, the facility has started producing in full swing and in March we recorded a manufacturing volume quantity of about 7.5 lakh liters, which takes us to an annual count of about 8,400 tons and along with this, we expect that the kind of growth we are expecting this year, we should be able to reach to almost 90% of the capacity utilization, which is about 16,000 crore in next 1-1.5 year at max.

**Bharat Gupta:** Any particular guidance which you want to share for FY25, both in terms of topline and bottomline?

**Apoorv Agarwal:** With the new products already in the city with the new OIKOS agreement and Welcome brand coming in the city, we are expecting a minimum of 40% growth this year.

**Bharat Gupta:** And in terms of margin, so it will be like 23% or 24%, are we able to maintain on that level or there will be some sort of valuation to it?

**Apoorv Agarwal:** So, if we talk about the whole year, we are quite confident that for the whole year, we will be able to manage our margins in the range of 22% to 23%, but maybe in the quarter one, it may be in the range of the 20 to 21, but in the year end it should be at its original numbers, reason being that we have a good amount of implement at the salary cost side, where we have done the new hiring for the new businesses which are on the cards related to OIKOS and also for the export sales and the especially the decorative business where the business will start coming around in the quarter one and that's why from quarter two we expect that the margins will be again at the normal level, but yes, we expect that it will not go down beyond 20, but will be in the range of 20% to 23%.

**Bharat Gupta:** And the 40% growth which you have highlighted so it will be across the product categories specific with respect to wood coating, so what kind of a growth are we planning for FY25?

**Apoorv Agarwal:** For FY25, we are expecting the majority of the growth again coming from the wood coating business itself because this current year almost more than 75% of the revenue was floor wood coating and then other 8% coming from the economical wood coatings like emulsion NC and Melamine. So, all put together, almost 85%-86% and with the introduction of also new high value products like acrylic and water bond which is the focus for this year which are high value products which will be imported from Italy will contribute to incremental sale in numbers. We



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are expecting that almost in wood coating segment alone, we will be growing at about 25%-30% and then aggressive growth in the wall paint, OIKOS and some additional sales from the welcome brand.

**Bharat Gupta:** So, 40% growth on the topline is all inclusive with respect to the acquisitions also which we have done?

**Apoorv Agarwal:** Yes, so acquisition we have taken as it is without the growth number, so 100 or 50 where we also intend to take it 200 this year. So, yes that is something which is additional.

**Bharat Gupta:** That will come on the top of the earnings which other than?

**Apoorv Agarwal:** Yes.

**Bharat Gupta:** If I am allowed on other question, so just color like if you can highlight with respect to the JV with the OIKOS, so what kind of opportunity it brings to us and like in terms of value addition for us in the wall decorative side. So, what kind of a value addition it can bring us and how are we looking on this whole segment as a whole, like in terms of the competitive intensity which is building up in the segment?

**Apoorv Agarwal:** Sirca for last 15 years has been known to give the market the best quality products. And with this new OIKOS agreement, the products that we are going to manufacture are Ultra Luxury A+ quality standard products which we believe today no competition has these products to offer which are super high coverage. That is the work done of three days and one day and with the vision of increasing labour problems in India every year, we expect that these products will reduce the shelf space, the stock space of the retailer and help the end user to get the work done very fast with the limited labours. With this product, we expect that Sirca being recognized as a quality player will give us a very fast entry within our network which are the high value and high quality products and also it is a product which can be easily specified through our strong network of architects. So, we strongly believe that were Sirca's strength lies, which is in the influencers to sell the high value products. This product complements and we believe that the market also stands ready to accept these products with the labor and other status problems and with the eco-friendly and sustainability playing a very important role in the market. Therefore, we are very much confident that with these products coming in, it will strengthen our whole product fitting and as a brand also, it will give us a different vision among the architects as well.

**Bharat Gupta:** But in terms of the visibility to revenue, so I think we will be manufacturing the products for OIKOS. So, in terms of the order book which will be there, so any colors on that front and what kind of impact it can have on the overall growth for this particular segment for us?

**Apoorv Agarwal:** With this luxury wood coating, we are not expecting very huge numbers this year. We are expecting an additional revenue of about Rs. 12 to Rs. 15 crores in the whole year from these super high quality products, which will be referred through architects which are again 100%



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smell free, sustainable, environmental friendly, get the work done in one-third of the time of the current decorative industry products, but it will help us to offer some stand out products from the market, which are out of competition, as I said that these products are currently not been offered in India, though are now being offered in the other parts of the world like Europe, but not here. So, in terms of revenue, obviously we are expecting Rs. 12 to Rs. 15 crores because the production of these products will start from late June. So, we have practically three quarters to finish these products, but it will help us to strengthen our influencer network and to use our existing network of high network dealers where we sell our Sirca high range polyurethane products.

**Moderator:** Thank you. Next question comes from the line of Kaiff Khan, an Individual Investor. Please go ahead.

**Kaiff Khan:** Could you please provide the volume growth for the financial year?

**Apoorv Agarwal:** So, the total volume growth in the wood coating segment was about 18%. The consolidated growth of volume this year was about 18%.

**Moderator:** Thank you. Next question comes from the line of Kunal Tokas from Fair Value Capital. Please go ahead.

**Kunal Tokas:** I just wanted to confirm a few things. You addressed this in the last question, but can you share the revenue split by product, wall painting, wood coating and adhesive?

**Apoorv Agarwal:** Last year, out of the whole year, Rs. 312 crores, only Rs. 24 crores was contributed by the decorative paint segment and the rest Rs. 290 crores was contributed by the wood coating segment.

**Kunal Tokas:** How much do you expect wall paints would be able to? How strong will decorative paints be able to become a part of your business? How much can they grow relative to the wood coating? Is that a strategic focus that you are having for over the last 2-3 years?

**Apoorv Agarwal:** This year, the wall segment becoming a separate vertical for us with new, at least 50 new hirings in the wall decorative segment after the JV with OIKOS, all the wall paints will be sold under a new brand, co-brand called Sirca OIKOS in the coming months. With the addition of these five high end products, we are expecting to add additional revenue of about Rs. 12 to Rs. 15 crores of the high end value products and take 24 to almost Rs. 48 to Rs. 50 crores in this financial year of the economical wall paint products, which company is already selling and now in future will be sold under the supervision and under the name of OIKOS. So, this year, from 24, we are expecting to reach to a sale of about Rs. 60-Rs. 65 crores from the wall paint segment.





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**Kunal Tokas:** I am throwing the same line, over the next 2-3 years, how do you think the new competitive dynamics of the industry with new players entering and competition becoming more intense will affect your business over the next 2-3 years? And what is your strategy for dealing with that?

**Apoorv Agarwal:** So, very smartly, as per the company's ground situation analysis, we have entered into providing the top high quality products from Italy technology and manufacturing it here to the market which are still non-competitive and we see that if we promote these products in the right way, which has very limited or say no competition, we could make our mark from this product range, which will also help us to push the economical ranges of the wall paint product where there is heavy competition from the paint peers. So, considering the move with the OIKOS, we expect that it will help us to gain much more competitive advantage when it comes to selling of the decorative business in the retail segment with this high-end value products which will allow us also to sell the primers and the economy emulsions along with this OIKOS high end products and help us to reach a targeted sale of Rs. 60-Rs. 65 crores this year vis-à-vis Rs. 24 crores in FY24. And once we are able to cross this number of Rs. 60-Rs. 65 crore this year, we see that then the momentum can go very fast in the next 2 years, we can easily achieve a number of Rs. 200 to Rs. 250 crores.

**Kunal Tokas:** Rs. 200-Rs. 250 crores only from the luxury paint segment?

**Apoorv Agarwal:** From the total decorator segment because luxury paint segment, the luxury products will help us to get in where the competition is still not there, and it will give us a space and place in the market considering the competitiveness in the decorative segment currently.

**Kunal Tokas:** But then sir, once the competitors see the success that you are having with this niche product offering, is it fair to assume that it will not be very difficult for them to enter this market as well?

**Apoorv Agarwal:** Yes, with the kind of acrylic putty, with the kind of super high white covering powers of primers and topcoats like Supercolor and Ultrasaten, we believe that it will take some time for the company to think over and launch these products in the market and our plan is to aggressively put these product in the market through influencers. So, Sirca reaching to a sales of in wood coating for about Rs. 290-Rs. 295 cores and growing at a very aggressive rate in last 3-4 years, our influencer, our interior designer has played a very important role and today we see that the same segment of interior designers and architect are now quite interested also to put a revolution in the decorative side, in the wall paint side, choosing the right product which has the environmental and the sustainability tagged to it, which has the A+ quality standard, no smell even after application and most importantly the application time to reduce. So, considering that it will be sold under the co-branded OIKOS, which is already a very popular brand among the designers and architects in India from last 18 years, it will help us to specify this product like wood coating Sirca brand and that is why we can have a long-term recommendation from the architects and win the competition in the market even after other competition brands launching the same product in the market.



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**Kunal Tokas:** So, is it fair to sum up your strategy in two keywords that will be first mover advantage and in a niche market?

**Apoorv Agarwal:** Yes, the first mover advantage and then the strong hold of the influencer architect.

**Kunal Tokas:** And my second question was related to working capital, which is a big part of your balance sheet. So, earlier from being a CAGR and marketer of products to now having your own manufacturing facilities might have expected the working capital to go down, what are your views on this?

**Apoorv Agarwal:** So, yes, we expected our working capital to go down considering that the production is coming into place in November and from December, it should come down, but as also explained in the last of our calls and in our presentations that some of our initial developments took much more time as per the satisfaction of Sirca Italy and that is why about 30 to 40 tons of material were all sold just to test the product and were not up to the satisfaction of Sirca in the first go. We kept on ordering also in the quarter 4, the stocks from Sirca Italy just to be on the safer side and not to be out of the stocks in the market, though fortunately for us in January and the product passed all the tests from the external authorities and SGS were Sirca Italy has obtained all the certifications of the product with the identical specification, physical and chemical, as made in Italy against Made in India. So, we expect that in the coming quarters, it should go down deliberately, but quarter 4 again, the inflow of containers was three times more than what we expected and targeted for.

**Kunal Tokas:** And what might be the ideal working capital that you might have in mind?

**Apoorv Agarwal:** So, considering the total credit days that we have from the vendors and Sirca Italy and considering the credit days we are offering in the market, considering the working capital now which we have to maintain of minimum 90 days from Sirca Italy, which will be the 40%-45% of our total sales and considering the 30 days working capital in terms of RM and FG from the plant side, we are expecting that it should come down at an average of about 60 to 65 days.

**Kunal Tokas:** And just the last question regarding your acquisition of new Wembley products, very attractive valuation and will Dr. Lamba be continuing in the business?

**Apoorv Agarwal:** So, yes, Dr. Lamba will continue as a mentor and will be actively involved with us for the sale and manufacturing of the product. His name and his experience in the industry is outstanding and with his expertise related to this single product and with his expertise related to the manufacturing and sale of these products, we will be an integral part and have exclusive agreement to work with us for one year.

**Kunal Tokas:** Last question, I think you were having some plans for an acquisition in South India to penetrate that market. Is that something you are looking at?



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**Apoorv Agarwal:** Yes, that acquisition is still under process at a non-binding level, but yes, it has its own internal queries which are still to be resolved. So, we cannot comment currently the timelines related to this, but yes it is under process.

**Moderator:** Thank you. Next question comes from the line of Chinmay Nema with Prescient Capital. Please go ahead.

**Chinmay Nema:** I am new to your company, so I have this basic question. Since March 2020, the inventory days have been up of 200 days, just want to understand what is the reason for that. I know you talked about working capital while answering to previous participant, but I just want to understand why do we operate at such high levels of inventory days?

**Apoorv Agarwal:** So, the main reason of high level of inventory days was only the imports, because the company's 90% of the revenue till November 2023 were coming from the imports. Now, considering the geopolitical condition and the global disturbances from after COVID, the Sirca Paints had to stock much more initially with the problems of logistics due to COVID, then again due to the geopolitical tensions between the Europe and Russia and Ukraine, which was increasing the shipment time of the products from 30 days from Europe to Delhi to 60 days and also the turbulence in the raw material industry especially in the Europe because of the gas problem and other problems in last 2-2.5 years was increasing their production time from 25 days to almost 40 days. So, the container which after placement of order used to be in our warehouse in total 60 days was going up to 90-95 days pushing us to store more and more goods because the situation remains very unpredictable, that whether the goods will come on time or not. So, in 2021, 2022 and also in the beginning of 2023, the high value of stocks were imported from Italy and we were keeping more and more inventories because every three months every quarter, there was a new condition coming in which was forcing us to keep more stocks. Fortunately for us, now 55% of the imports will reduce down immediately now and has already started to reduce from February once all the products had got green signal from SGS control quality lab third party. Now, the dependency on the imports has reduced by almost 55% which will enable us to reduce our inventory days because the covenant is coming to the local production. All the goods are available with the target of 10 days, the raw materials. So, a total of 30 days, RMC and FG will allow us to reduce our inventory days in the coming quarters quite noticeably.

**Chinmay Nema:** Secondly, the Ultra High Luxury segment that you spoke of, could you give us a sense from consumers perspective, at what price point would it lie at, if I were to benchmark it against the existing products where in terms of per kg or per meter where would it lie?

**Apoorv Agarwal:** For doing this, the company has already planned a very smart move and want to move very strongly initially with the recommendation of the interior designer, which is the educated fraternity, because the products that we are talking about, which are ultra-high quality, ultra luxury, comes at a retail price of averaging about Rs. 700 a liter which is much more than the average of what current decorative industries are selling as the luxury product. But the question is that what is it going to cost to the final consumer? Is it going to cost 30% more as the bucket



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price but no, because the final coverage of the material, the final timelines of the material is almost half or you can say one-third from the existing product range. So, with the educated fraternity like architect, if there is a labour who is charging for three days can get this job done in one day, the labour cost gets reduced, number one. Number two, the coverage of the material is much more from the highest luxury material sold by the competition in the market. So, with this kind of education and marketing that you can cover your wall in single quote, instead you use 2-3 coats to cover your wall with the competitive product, it will give us an edge to explain that even if you are buying a bucket of 14,000 vis-à-vis with 11,000 of the competition, your per square foot cost to do a room would come down much more aggressive than the competition. So, we are going to use the educational channel and educational series to sell those products and we have seen and we have done the test trials of these products and the appreciation of the products is quite high. In a country like Europe, where the labour problem is extreme and following that we have started seeing the same, we have started sensing the same time in specially the metro this year. We see that this product should have a very strong acceptance starting from the influencers, like architects and interior designers.

**Chinmay Nema:** I am just asking, given this is an effort towards premiumization, what kind of improvements do you expect in the margin when this business catches up? And in 2-3 years, how big do you see this becoming? What kind of topline are you expecting in 3 years from this?

**Apoorv Agarwal:** So, considering that there are a mix of products which are getting added in the product kitty of Sirca Paints India. So, now we are going to manufacture also certain products from Sirca Italy, in Sirca India, now we are going to manufacture certain products, high end products of OIKOS Italy and OIKOS India, now we will have products of Welcome being manufactured by us. Considering an average of all the products, the gross margin would increase maybe by 2-3 basis points, but the EBITDA should remain at the same level, considering the increased amount of schemes and everything to be offered in the market will be nullified with the increased gross margins. And talking about long-term strategy only considering the organic growth and keeping in organic growth aside, next 3 years, again we are expecting to grow minimum by 40% considering our 40% CAGR growth is what we are expecting minimum as organic growth considering the new product kitties being coming in.

**Chinmay Nema:** This is on the current base of Rs. 12 to Rs. 15 crores right, in the FY25 that you?

**Apoorv Agarwal:** Yes.

**Moderator:** Thank you. Next question comes from the line of Bharat Gupta with Fair Value Capital. Please go ahead.

**Bharat Gupta:** Just wanted to check on the OEM space, so how are you well placed on that front and how do you see the demand traction playing out in the B2B side?



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- Apoorv Agarwal:** So, B2B, Sirca Paints again stands very strong. All the key OEMs, like Sleek Kitchens, like Godrej who are our key customers still run to be key customers with Sirca India and the OEM business in India has seen a decent growth in last couple of quarters. The Indian furniture industry is growing. There is a strong decline if we talk about the imports of the furniture from different countries like Italy and China, which is pushing the Indian furniture industry because of the implement of BIS and other norms on the parts of furniture to be imported, so this is helping the whole Indian furniture industry to grow and we have seen a lot of addition in the big customers like Wakefit, like Pyramids, like Alder, which is coming into luxury furniture or huge set up in Northern India. So, the OEM business is growing good and there was a slight sluggish demand in the month of January and February majorly due to the labour and other problems. But yes, going forward, we are very confident about the growth of the OEM business because the furniture industry in India itself is growing and people are more moving towards getting the fixed furniture made from the OEMs and this gives us a big opportunity because Sirca as a standalone player stands very strong when it comes to B2B business, when it comes to the kitchen wardrobe and furniture manufacturers.
- Bharat Gupta:** So, in terms of the overall contribution to the topline, so it was close to Rs. 60 odd crores for FY24 from the OEM side?
- Apoorv Agarwal:** No, it was more. So, almost the OEM contribution only from North India was about Rs. 60 crores and other Rs. 28 crores was coming from the South and the West.
- Bharat Gupta:** And on top of it for FY25, how much kind of a growth you want to target and like, has there been any kind of a hiring like in order to strengthen out our segment on the OEM front?
- Apoorv Agarwal:** Yes. On the OEM front, we have hired some high-level technical persons. There were couple of hirings which was done in last quarter based out of South and we are expecting again a decent growth in this year from the OEM segment, especially with the existing customers, who are also exporting to people like IKEA and also people like Pottery Barn and West and the Williams-Sonoma Group, so we are expecting a very good growth in this year when it comes to the OEM business also.
- Bharat Gupta:** In terms of the volumetric growth, will it be towards the 25% kind of category?
- Apoorv Agarwal:** Yes, minimum.
- Bharat Gupta:** And in terms of margins, so is it accretive on the overall consolidated trend or what kind of margins do we enjoy in this segment?
- Apoorv Agarwal:** So, the margins again comes to an average gross of about 40% to 42%, which is more or less the similar like what we have in retail about 43%-45% because the retail price is much more higher, but then the scheme payouts to architects, contractors and the turnover discounts to dealers after



moving that all, the net price comes to more or less the same that we offer to the OEM, which is net of all the schemes.

**Bharat Gupta:** On my previous question, you mentioned that the utilization level will be close to 90% odd for the Sonipat facility in the 12 to 18 months kind of a trajectory, right?

**Apoorv Agarwal:** Yes.

**Bharat Gupta:** But that will be a peak utilization level. So, are we expensing?

**Apoorv Agarwal:** Yes.

**Bharat Gupta:** So, will be incurring further CAPEX on the newer side or for the Brownfield and for the Greenfield like anything which is there in mind for beyond FY25?

**Apoorv Agarwal:** Yes. So, considering that exports will be a focus area and we are expecting it from these three containers which are going out in the market, we will have some commitments of the containers from each country, we will be doing 100% of CAPEX on the wood coating facility in the Gujarat region, space already identified with the minimum CAPEX, which will stand under Rs. 10 crores. But from the existing facility also with the 16,000 tons capacity yearly in single shifts, we are already aligning ourselves and planning ourselves to take it to double shift.

**Bharat Gupta:** So, overall, we are doubling on the volumes over the next 2-3 years?

**Apoorv Agarwal:** Yes.

**Bharat Gupta:** Also, Apoorv, in terms of the competition, so with the entry of some mega players which have recently been entered in the paint segment, so how do you read the overall competitive intensity? I am not talking with respect to the premium, but with respect to the PU as a product category for us, like has there been any kind of a pressure which we are seeing on the realization front?

**Apoorv Agarwal:** If we talk about our core product, the polyurethane, yes, there has been a temporary disruption in the month of January and February where there was very sluggish demand and it was a tough time I think for the whole paint industry, which was forcing everyone to increase the scheme payouts and everything, but seems out to be quite temporary. Otherwise if we talk about the competition at the polyurethane front, fortunately for us, with the polyurethane there is a strong contribution of sales, which has started to come from the Acrylic PU where mass competition doesn't lie there. There are only one and two immediate competitors in this segment. So, these products are helping us to average out any additional schemes being offered on the polyurethane product, but yes, in the beginning of the year, we saw some increase and pay-outs on polyurethane general products. But then again from March, it was the temporary schemes which were withdrawn and was coming back to the original level. But going forward also, what we believe is that polyurethane is going to become quite a mass product which will help us to



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increase our sales quite aggressively. This maybe a little downside in the realization, but on the other hand, with our competitive advantage on the quality of the acrylic product, which is becoming a very strong product in OEM and also in retail, with the increased sales of pre-tinted and light and natural veneers from companies like Green, from company like Bureau, from companies like Merino, it is becoming a very strong product, the acrylic PU which is again a high realization product and low competition. It is helping us to quite easily manage our margins going forward.

**Bharat Gupta:** So, if I look at the overall revenue composition, so how much we would have enjoyed from the base category of PU versus the value-added side of acrylic PU?

**Apoorv Agarwal:** So, Acrylic PU, surprisingly for us this year in numbers has grown double, so almost Rs. 60 crores were coming only from the Acrylic PU and which is growing very fast. So, Acrylic PU has better gross margins and better as a product, low competition and is aggressively growing, especially when it comes to the application on the veneers and specially pre-tinted dyed veneers which is the core product the offering by all these plywood and veneer companies. So, it is a kind of PU, it comes under the category of polyurethane only, but it comes with added physical and chemical properties and has additive called the UV additive and becomes the Acrylic PU.

**Bharat Gupta:** So, in terms of realization, what kind of a benefit or leverage it carries over the base PU like, how much premium one has to pay for the acrylic side with respect to the normal PU? And with respect to Rs. 60 odd crores topline in FY24, so if I look one year or two year down the line, how much can this particular product category be, you can say contributed to us to our overall topline?

**Apoorv Agarwal:** So, currently if we talk about the average realization of PU along with the thinners comes out to be about 500 to 550, the average realization of Acrylic PU is about 720 to 730 as an average, which is about 30%-35% more than the normal PU. Considering the use of natural veneers and the trend of matt polishes coming in with the increased involvement of the designers and architects while building in commercial or residential projects, we are expecting that the Acrylic PU is going to grow very aggressively and we are expecting that this year out of the total wood coating sale, we are expecting about Rs. 379-Rs. 380 crores and almost 30% will be contributed by the Acrylic PU which was vis-a-vis 15% last year.

**Bharat Gupta:** Last question, like in terms of the top ten products, which I think we are manufacturing in-house, so overall contribution like you mentioned in the presentation can be toward closer to Rs. 20 odd crores. So, that is with respect to the basic PU which you are manufacturing in-house. Going forward with respect to the Acrylic PU, like we will be importing it from the parent company or there will be further licensing where we can manufacture it in-house going forward?

**Apoorv Agarwal:** Yes. So, for the Financial Year '25, the agreement is to keep importing these products because we want to streamline our activity with the manufacturing of the polyurethane products and focus on the export of these products and compete with the market in India by producing it in



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here because currently we see that till next 6 to 8 months we are quite safe considering the imports of the acrylic, but yes, if you talk about the long-term strategy, already in our agreement with Sirca Italy, we have provided it to produce it in coming years. So, maybe in the beginning of the next financial year, we will be producing the key 6 acrylic products in India only. So, finally it is going to happen. Will it happen after one year or 1-1/2 years, still we are contemplating on that.

**Bharat Gupta:** So, in terms of the overall guidance of 40% odd growth on the overall topline front with the 22% kind of EBITDA margins, you are saying it for FY25 and beyond which we want to grow like towards 25% to 30% kind of a growth rate beyond FY25 that remains on guard for us, right?

**Apoorv Agarwal:** Absolutely.

**Moderator:** Thank you. Next question is from Kunal Tokas with Fair Value Capital. Please go ahead.

**Kunal Tokas:** Tell us, just a quick question, just wanted to confirm your guidance beyond FY25 for wood coatings and for overall topline and margins?

**Apoorv Agarwal:** So, in the long-term strategy say down the line three years from now, we are again expecting to grow at a CAGR of 40% in terms of the topline considering the additional productivity which does not include any inorganic growth and the EBITDA we as mentioned the long-term vision and the long-term estimation of the company is that even after growing gross margins by producing a lot of products in India, the EBITDA should more or less remain in the range of 20% to 23%.

**Moderator:** Thank you. As there are no further questions, I would now like to hand the conference over to Apoorv Agarwal for closing comments.

**Apoorv Agarwal:** So, again, thank you from the whole Sirca Parivaar for joining the earning conference and the FY25 has begun on a positive note considering the OIKOS agreement, considering the acquisition of Welcome brand, considering the strategic development that Sirca Italy on the export front. So, the whole Sirca Parivaar stands very excited for the Financial Year '25 and we strongly believe that we will outpace our expectation and the expectation of the shareholder this year. So, have a wonderful evening. Thank you.

**Moderator:** Thank you. On behalf of Sirca Paints India Limited, that concludes this conference. Thank you for joining us. You may now disconnect your lines.