

SIRCA PAINTS INDIA LIMITED

(Formerly known as Sircolor Wood Coatings Pvt. Ltd.)

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CIN NO : L24219DL2006PLC145092



November 27th, 2019

TO,
LISTING DEPARTMENT
NATIONAL STOCK EXCHANGE OF INDIA LTD.
EXCHANGE PLAZA , 5TH FLOOR, PLOT NO. C/1
G-BLOCK, BANDRA-KURLA COMPLEX, BANDRA (E)
MUMBAI – 400051.

SUB: TRANSCRIPT OF CONFERENCE CALL WITH THE INVESTORS/ ANALYST
SYMBOL- SIRCA

Dear Sir/Ma'am,

The Company has organized a conference call with the Investors/ Analysts on **Monday, 25th November, 2019 at 4.00. p.m (IST).**

A copy of Transcript of conference call held with Investors/ Analysts is enclosed herewith.

We request you to kindly take the same on record.

Yours faithfully,

Sirca Paints India Limited

(Formerly Known as Sircolor Wood Coatings Pvt. Ltd.)

(Formerly Known as Sircolor Wood Coatings Pvt. Ltd.)

Company Secretary

Chahat Mahajan
Company Secretary & Compliance Officer
(Membership No. 51255)

Place: Delhi



Sirca Paints India Limited

Q2 & H1 FY20 Earnings Conference Call
November 25, 2019

Management Participants

Mr. Sanjay Agarwal – Chairman and Managing Director
Mr. Apoorv Agarwal – Joint Managing Director
Ms. Shallu Arora – Chief Financial Officer
Mr. Chahat Mahajan – Company Secretary



Analyst

Mr. Sayam Pokharna – The Investment Lab

Moderator: Ladies and gentlemen, good day and welcome to Sirca Paints India Limited Q2 & H1 FY20 Earnings Conference Call hosted by The Investment Lab. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Sayam Pokharna from The Investment Lab. Thank you and over to you, sir.

Sayam Pokharna: Good evening everybody and welcome to the Sirca Paints India Earnings Conference Call for Q2 & H1 FY20 Results. We have with us Mr. Sanjay Agarwal – Chairman & Managing Director. We have Mr. Apoorv Agarwal who is the Joint Managing Director accompanied by Ms. Shallu Arora who is the CFO and Mr. Chahat Mahajan – our Compliance Officer & Company Secretary. The results and investor presentation have been mailed to you and it is also available on the stock exchange website. In case anyone does not have a copy of the presentation, please do write to us and we will be happy to send it over to you.

I would like to remind you all that everything said on this call that reflects any outlook for the future, which can be construed as a forward-looking statement must be viewed in conjunction with the uncertainties and risks that they face. These uncertainties and risks are included but not limited to what we have mentioned in the prospectus filed with SEBI and the exchange and subsequent annual reports which you will find on our website. With that said, I now turnover to Mr. Apoorv Agarwal for opening comments. Over to you, Apoorv Ji.

Apoorv Agarwal: Good evening everyone, so thank you for attending our maiden conference call. I will give you a small explanation on our results and the business overview, and then we will take the questions and answers.

So quickly moving to the result review. The standalone financials revenue from operations has increased by 12.1% in Q2 and by 20% in the first half H1. The EBITDA excluding the other income is increased by 15.9% in Q2 while it has increased by 15.9% also in H1. Profit before tax has increased by 26.8% in Q2 and showing an increase of 79.7% in H1. The net profit operations have increased by 12.2% in Q2 while it has increased by 85% in H1. Please note that all the quarterly and half-yearly comparisons for financials have been restated as per the Indian Accounting

Standards. This was the first quarterly result for our company post migration to the NSE Main Board from the NSE SME Emerge Platform.

So moving to the business review; despite of a challenging external environment, we witnessed a decent growth in revenue from operations on account of good growth in volume. The volume growth for Q2 stood at 22.74% and for H1, it stood at 27.34%. We have been consistently focusing on setting up the physical infrastructure required to support our pan India growth. The company has been setting up stock depots, new branches, dealers along with Sirca studio in the newly tapped territories. We have also hired almost 52% additional personals in our sales team in H1 which are majorly in the new areas where we are going to enter in the future with the new product lines. Some of key clients like Godrej and the people who are going to manufacture for IKEA in the near future are already on our cards and we are becoming the key suppliers for them slowly and steadily.

Coming to the CAPEX of the new facility coming up. The company has commissioned its wood coating facility in Rai, Sonipat in the National Capital Region on the 15th of November 2019. This state-of-the-art facility has been developed in complete technical collaboration with the Sirca SPA Italy and was set up with a total capital expenditure of approximately 33.20 crores. This facility has an annual capacity to manufacture almost 12,000 tonnes of NC, melamine, thinner and the economical PU product range. Earlier in the Q1 FY20, the company has also commissioned a small facility of wall paint unit with an annual capacity of 24 lakhs liters.

So giving some comments on the outlook and the vision of the company: With the both capacities in place, the company has developed a self-sufficient product portfolio that should facilitate the expansion of our distribution network. Our core product offering still remains the premium Italian wood coating range, but this will be accompanied by the lower end wood coating products that will make up for the larger chunk of volume and market considering Pan India operation. We will also move towards expanding our reach beyond India starting with the Sri Lanka, Bangladesh and the Middle East regions specifically Dubai. Moving ahead, our core focus also remains to be debt-free and generate good cash flow and to be committed to reduce the receivable days and show an enormous growth in many years to come. Thank you.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Dhwanil Shah from I-Wealth Management. Please go ahead.

Dhwanil Shah: Sir, I had couple of questions. First was on our new plant which we have commissioned now. Sir, if you could just help us understand how much sales it can achieve on a full utilization and second, what will be the strategy of the plant? So are we going to export from there or is it for the Indian market? Some brief sir if you could give us?

Apoorv Agarwal: Coming to your question number one, the plant on its peak can generate almost to about 200 to 225 crores of turnover considering the 12,000 tonnes capacity that we are going to produce. So at the optimal product mix, we can reach a turnover of around 200 to 225 crores and this facility is not only for the Indian market, but this facility is made with a vision of exporting also to the neighboring countries like Bangladesh, Sri Lanka and also Dubai coming on the cards now. So in fact, we have some discussions going on related to the export consignments of the product that we are going to manufacture in the Middle East region also. So this state-of-art facility is also going to contribute to the exports.

Dhwanil Shah: So sir one year down the line or 2 years down the line, how fast you think that we can achieve the peak utilization given the current situation?

Apoorv Agarwal: In the first year, we expect that we will move to almost 25 to 30% utilization of the plant because we have an existing strong distribution network in India and we have some couple of talks or discussion going on for the exports. So we expect that the first year is the one where we are going to gain the momentum and down the line in 2 to 3 years, I think we can reach to the 100% utilization of the plant because the first year is needed to gain the momentum, but with the back support of Sirca in terms of the technical help and commissioning of the plant is really helping us to move fast now and we are moving and abiding by the Italian standard of quality and safety in terms of running the plant. So initial few days might be slow in terms of gaining momentum in terms of the value and volume that we are going to produce, but once the momentum is gained, we are quite sure that down the line 2-3 years, we will be best achieved to the maximum utilization of the plant.

Dhwanil Shah: And sir one more on this, earlier sir, we used to do, our model was kind of trading where we used to import from Italy and now we are going to manufacture in India. So will this lead to an incrementally higher profitability and higher margins than in the

entire trading thing going to be replaced and converted into higher manufacturing in our plant?

Apoorv Agarwal: No. So as I told you, our main product offering will remain the premium Italian wood coating which we will keep on importing from Italy, so the trading business is going to be done like it has been done now. We are going to import the high quality products from Italy only. This facility is actually a vertical and horizontal expansion to the product lines. We are going to manufacture some new products which we are not importing from Italy, but it contributes to a big market in India and it will help us to actually take the increasing share of the Italian wood coating in the other parts of India where we are not strongly present in coming future. And secondly, we are going to manufacture the economical range of PU products which we are importing. So it is an extension to our product line not the replacement to our trading business and the gross margins of the trading product and the product we are going to manufacture will be more or less the same.

Dhwanil Shah: So if I have got you correct sir, what you are trying to tell me is that in last year out of 125 odd crores of sales we did, none of the product from the new plant we were doing before? The new plant is the completely new product range.

Apoorv Agarwal: Yeah, only the thinners we were doing, otherwise it is completely the new product range, completely new.

Dhwanil Shah: And sir on the volume growth as you said, we did around 27 odd percent volume growth in the first half, so if you could just give us some more idea on from where it is coming and how have we penetrated into the markets and how big the opportunity you think can be for us in 2-3 years down the line?

Apoorv Agarwal: So even after being, actually Q3 being a little slump for us because the market sentiments were not so good and majorly in the Northern part of India, the builder segment was going down, so we were feeling a small slowdown. Besides that, we were able to achieve this 27.34% growth because we were penetrating Pan India strongly from last 6 months. So we were extending our arms in the new markets where we were not present before. So the major incremental sale in terms of volume and value is coming also from the new territories we are entering which have just been started. So it is almost like we have entered to almost 8-10 new territories with either the depots or the distributors, but the momentum is still to be gained. It is just the beginning. Besides that, the major volume growth in the first half was coming from the new areas where we have just entered.

- Moderator:** Thank you. The next question is from the line of Manan Shah from Moneybee. Please go ahead.
- Manan Shah:** If you can just give us an idea about your contract with Sirca like what is the duration of this contract and what sort of royalty are we going to pay them?
- Apoorv Agarwal:** We have an exclusive distribution agreement of 15 years with Sirca Italy which was signed on January 2018 and in terms of the royalty, we are going to pay 15 cents per liter but only on the PU products that we are going to manufacture. So means from the facility, we are going to manufacture also the NC products which stand for nitrocellulose, we are going to manufacture thinners and we are also going to manufacture the melamine product. On these products, we are not going to pay any royalty to Sirca Italy, but on the PU products that we are going to manufacture, we will pay 15 cents per liter to them.
- Manan Shah:** And what would be the revenue potential of this new plant that we set up?
- Apoorv Agarwal:** At the right product mix, it can generate to almost 200-225 odd crores of turnover.
- Manan Shah:** Can you give us some sense of the market sizes of the wood coating and how is it divided between the economical PU, the Italian PU etc.?
- Apoorv Agarwal:** So if we talk about the total wood coating size which contributes to each and every product related to wood means the starting from the stains to NC, melamine, waterborne coatings, PU, economical PU and even the stains and thinners etc. The total market is estimated to be almost above 7000 odd crores. Out of which, almost and almost 50% is the Indian PU, the Indian manufactured PU and other 50% contributes to the melamine, NC, thinners and also the economical range of stains which are being manufactured in India and out of the total market, only 10% contributes to the Italian PU.
- Manan Shah:** So what will be our market share in the Italian PU then?
- Apoorv Agarwal:** So if you talk about the Italian PU market share, we are almost at 20%.
- Moderator:** Thank you very much. The next question is from the line of Ankush Kedia from Oceandial Asset Management. Please go ahead.
- Ankush Kedia:** My question is on the wood coatings market, what is the growth of wood coating market currently in India?

- Apoorv Agarwal:** The wood coating is again growing in the double digits from last many years and expected to grow in double digits for coming many years and it is growing almost at 15 to 20% by volume and value.
- Ankush Kedia:** And are we gaining market share over the years or market share is stagnant?
- Apoorv Agarwal:** Our market share is increasing every year with a considerable number.
- Ankush Kedia:** And who would be the market leader in wood coatings market?
- Apoorv Agarwal:** If we talk about the Indian made PU, it is Asian Paints. If we talk about decorative also, it is Asian Paints. If we talk about Italian PU in terms of numbers also, it is Asian Paints because of their extensive and strong distribution network.
- Ankush Kedia:** So we would be number 2 in Italian PU?
- Apoorv Agarwal:** In terms of Italian PU, yes, we are at number 2.
- Ankush Kedia:** I have one more question. Our other expenses for first half has almost doubled from 3.8 crores to 9.5 crores, so what is the reason for this sharp doubling of other expenses?
- Apoorv Agarwal:** I will pass to Mr. Sanjay, my dad and he will answer this question.
- Sanjay Agarwal:** The main reason for this expansion in this from last year to this year, one is CSR expense. We have done a 1 crore CSR expense in this year. Secondly, our rent and infrastructure expenses had increased a lot and also even the business promotion expenses, they have increased, the advertisement expenses have increased. Because of that, the increase as compared to last year has been much higher.
- Ankush Kedia:** And how much do we spend on advertising and promotion?
- Sanjay Agarwal:** Right now, we are not expanding much, but now we have made a policy that we will be expanding according to our sales. So we will pick some percentage on sale and we will expand that amount. And once our production starts, then we will start this advertisement expense.
- Moderator:** Thank you very much. The next question is from the line of Jeevan Patwa from Candyfloss Advisors. Please go ahead.

- Jeevan Patwa:** Just one question. So, how much is our current sales force and how much it was at the end of March 2019?
- Apoorv Agarwal:** So end of March 2019, we were standing at almost 120 plus sales force moving to almost 172 now. The new sales force has majorly joined in the new depots and distributors that we have hired because last 6 months we have rigorously spent on increasing our distribution network means we wanted to mark our presence in each and every part of India, so the sales team has increased by 52 new people coming in this current financial year till now.
- Jeevan Patwa:** And are we intend to increase it further this year?
- Apoorv Agarwal:** Yes, we intend because once the market gains momentum in the key cities, then the suburbs will have the new people coming in. So we expect that other 30-40 to join by the end of closing financial year.
- Jeevan Patwa:** And you said something related to IKEA, so what is that?
- Apoorv Agarwal:** IKEA who is entering into India now slowly and steadily. The two stores have come up and other 20-25 odd stores are expected to come in the coming years. So they do the contract manufacturing. So there, they have identified 3 and 4 good furniture manufacturers were going to manufacture for them which are majorly in the South part of India. So we have done our product testing there in terms of chemical and physical properties and our product is almost approved. So to these contract manufacturers, we will be in one of the suppliers of coatings on the IKEA furniture.
- Jeevan Patwa:** And how many people approved by IKEA in this?
- Apoorv Agarwal:** IKEA in terms of contract manufacturing, they are adding people. At the moment, they have majorly 4 suppliers which are (Inaudible) 21.27 Tectonics, one in Moradabad CL Gupta, but then with their volume increasing, they are going to add more people also.
- Jeevan Patwa:** So we have done the testing with all 4 suppliers firstly?
- Apoorv Agarwal:** We have done it with 2, but once we get through 100% with them, then it will be automatic recommendation by IKEA for our product use.
- Moderator:** Thank you very much. The next question is from the line of Karan Ramesh from Ashika Group. Please go ahead.

- Karan Ramesh:** So I just wanted one clarification. When you said that 200-225 crores maximum capacity, does that include the paints facility also, the 24 lakh liters?
- Apoorv Agarwal:** No, this is only for the wood coating facility where we are going to manufacture NC, melamine, thinners and economical PU. The wall paint facility separate.
- Karan Ramesh:** Could you share us numbers on that also kind of revenue you can generate?
- Apoorv Agarwal:** So with 24 lakh liters per annum and once we reach the maximum output, we can almost generate another 40 odd crores from them.
- Karan Ramesh:** I have a question on the new products through your new facility. Would they also be having a lower margin compared to your premium coating products and therefore is it
23:05 _____ EBITDA margins, it may decline?
- Apoorv Agarwal:** No, so the products that we are going to manufacture from the new facility are being made in the technical collaboration with Sirca and are worked out in such a way that our gross margins are more or less the same as of our trading business. So we are not going to compromise a lot on in terms of the margins.
- Karan Ramesh:** And so then would this be sustainable close to 30% EBITDA margins that we have or is it sustainable?
- Apoorv Agarwal:** No, 30 but around 25 to 26%.
- Moderator:** Thank you. The next question is from the line of Gaurav Sud from Kanav Capital Advisors. Please go ahead.
- Gaurav Sud:** So I had a couple of queries around, as per your IPO document, the manufacturing facility was expected to be set up by beginning of this financial year, so it has been delayed by 7-8 months. So what was the reason for that?
- Apoorv Agarwal:** So majorly we were actually delayed by some approvals that had to come from the government of Haryana. The plant was coming up in Haryana. So we had some major delays from getting the consent to operate from the Pollution Department. There, the delays were there. And then, also we have to actually get the explosive license because we are going to manufacture the paints, so we had some underground storage tanks to be installed to actually store the highly flammable solvents. So for which, we have to obtain the explosive license and we had a prediction of obtaining it in 2-3 months which took actually double the time that what we expected. So majorly

some approvals from the government were delayed quite a lot also because of some elections coming in Haryana, they were delayed further. Like this, we have almost delayed by 6 months.

Gaurav Sud: So has the commercial production started now?

Apoorv Agarwal: Yes, the facility is now in full flow to get the production on and we are in the testing stage. We wanted to skip some testing of couple of products and enter the market straight and make big batches, but since we are operating with Sirca Italy in terms of operating this facility. They want to strictly follow the Italian standards. So we are now making some small batches. The testing is going through in the state-of-art laboratory that we have set up with all the latest equipment, so the testing of the product of the match that is made from the new machines is being tested at different temperatures, different environmental condition and once we are through the Italian clearance in terms of quality, we will be making the big batches. I think by first week of December, we will be full set to make the full quantity batches and flow the product in the market.

Gaurav Sud: So effectively then from Q4, the plant will be basically available for the entire period?

Apoorv Agarwal: So the numbers would reflect in Q4 in terms of the revenue we are going to generate from the new plant.

Gaurav Sud: So basically you said in the first year of operations assuming that starts next year, so you expecting about 25-30% utilization, so would that add up to about 50-60 crores of revenue from the plant?

Apoorv Agarwal: Approximately yes for the whole year, it will. The initial few months would be a little slow to gain the momentum as I said, but then we are going to pick up.

Gaurav Sud: So then if we talk in terms of our trading business, so that part of the business is growing at about 20-25% and this additional contribution, so what is the kind of growth rate that you envisage going forward?

Apoorv Agarwal: In our trading business, we expect the growth not less than 20-25% because the market of Italian wood coating is actually increasing with the global exposure and people moving towards quality coating and the share of normal PU is being taken over by Italian PU and melamine is taken over by the Indian PU. So the Indian PU market itself is growing at a very good stage. So we expect that the trading business would

grow at 20-25% and we are going to add a decent amount of turnover coming from the manufacturing facility also. So we expect not less than 250 plus turnover in FY21.

Gaurav Sud: And you also announce your foray into the paints business, so what is the reason for getting into that like here you have the technical capabilities of Sirca Paints, is the paint business also you are collaborating with Sirca?

Apoorv Agarwal: Yeah. So in the wall paint business also, Sirca in past in Europe used to manufacture some wall paints, but then they discontinued as the European market is actually not in terms of volume is not a big market and their focus was on the quality products, so they moved majorly to the PU market. But then they have helped us to set up some formulations of the wall paint also that too of the most luxury product. So we have entered this wall paint market only to actually give a kick to our Italian PU product also because India is big and each and every market behaves in a very different way. So we have done a lot of research in terms of moving to be the leader in the coming years in Italian PU and every step has been taken in terms of adding the product range to actually focus on my increase in the premium Italian wood coating market.

Gaurav Sud: So what is the current run rate in the paint business, is that contributing to your revenues right now?

Apoorv Agarwal: In wall paint? See, yes, it is contributing, but it is a very small number as of now because our main focus is to push this into the South India market and majorly in the Kerala where our branch has just set up last month and tomorrow in fact would be the inauguration of the branch there and slowly and steadily, the numbers are going to come from Kerala. So at the moment, it is a very small number in terms of revenue coming from wall paint in the total revenue, but yes it is going to increase a little once our South India retail operations start.

Gaurav Sud: So coming to the retail operations, what is the breakup between your wholesale distribution where you supply directly to furniture manufacturers versus the retail sales? What is the breakup between the two?

Apoorv Agarwal: The breakup is almost 70:30, 70% is coming from the retail business where we supply to the paint shops and 30% from where we supply to the end OEM or the furniture manufacturers.

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

- Raj Sharma:** I have just one question. So do you have any plan in long term to manufacture all the products which you import and sell in India?
- Apoorv Agarwal:** See, we are going to manufacture PU products, almost 6 PU products which we are importing right now which contribute to almost a decent turnover because they are the most running product. But when we talk about the high quality products, we do not have the plan of manufacturing it in the coming years. We are focused to import those products from Italy only and keep it to the trading business.
- Raj Sharma:** So this is for now or even 3-4 years down the line when you will have very higher sales volume, then also it will continue or you have no thought about it yet?
- Apoorv Agarwal:** As of now, we have not thought about it because the fast running product, obviously, we are actually expanding our product line to manufacture it here, but the high quality products like acrylics, product like waterborne coatings which are also the future. We still intend to import from Italy and not thought about of manufacturing it here yet.
- Raj Sharma:** And one more question. The hiring which you said, are there more hiring number of sales force increase is likely this year or is it kind of the peak number right now for this year?
- Apoorv Agarwal:** No, this hiring actually majorly has been done for our new infrastructure means for our new depots and new distributors which we have added in this half year because our main focus was to mark our presence pan India. So we have added a lot of new territories where these people have joined in terms of sales team. So in the coming months also, we expect almost 10-20 more sales team to add on once these locations with this existing sales team take the momentum.
- Raj Sharma:** So what is roughly your employee cost likely to be in future when the production starts in the new plant, with respect to sales is it going to stabilize at this level, maybe around 7-8% or it will be higher?
- Apoorv Agarwal:** No, it will be 6-7%.
- Moderator:** Thank you. The next question is from the line of Abhishek Golatkar from Vision Capital. Please go ahead.
- Abhishek Golatkar:** What I have seen is actually being 70% retail business, still we had some problem with the inventory which increase and I think you had given the explanation because

the Sirca Italy was closed for one month, you have to get the inventory in advance, but what about the receivable which increased and even the payables which had come down. So is it a one-off situation or we can see the things improving in the future?

Sanjay Agarwal: Definitely, we are working on our receivables only and definitely they are going to produce. And inventory, as you told you, the main reason was that we are importing and we have to maintain a stock and as we are setting up more and more depots, more and more inventory is required and our payables if you see in this quarter, it had increased because our inventory had increased and our payables had also increased in this quarter. But now we are totally committed to reduce our receivables and bring the working capital cycle lower.

Abhishek Golatkar: And what about the cash and cash equivalent increase, I think substantial increase was 60 crores which is seen in this year. So what is the reason for that?

Sanjay Agarwal: No, that totally slowly-slowly is being utilized in the new plant. Now, we have kept 25 crores as reserves for the working capital. So it will be just for our expansion purpose it will be utilized.

Abhishek Golatkar: So it is already utilized right?

Sanjay Agarwal: It will be utilized now. Once the plant starts, it will be getting utilized.

Abhishek Golatkar: And what is the forward guidance for 3 years in topline and bottomline as well as cash flow, can you give it?

Sanjay Agarwal: See, we are working only on our cash flow to generate the maximum cash flow and the topline will keep increasing by around 20-25% every year.

Abhishek Golatkar: And same with the bottomline cash flow, can you currently quantify your guidance for the same?

Sanjay Agarwal: That too also we will keep maintaining it.

Moderator: Thank you. The next question is from the line of Harshil Shah, an Individual Investor. Please go ahead.

Harshil Shah: I had a couple of questions. One was, was there any specific reasons or areas that you guys improved on which was why you have done so much of a better performance in FY19 and in FY20 and till now as compared to your FY18?

Apoorv Agrwal: See, we have actually entered aggressively in terms of increasing our distribution network, our main motto also at the time of getting the IPO was to actually increase our product line and together with that, increase our distribution network because we were majorly a North India centric company. We were majorly present in Delhi, Punjab, Haryana but now we have strongly increased our operations in Uttarakhand, in West Bengal, in South of India and also in Chhattisgarh and Maharashtra. So the numbers and revenues for us are increasing also from the new territories and also existing market like North Delhi and Northern part of India is also increasing with us with the new product line coming in and with the increased sales force and the strong market activities which has started to happen in this area which is again helping us to have a good decent growth in our revenue.

Harshil Shah: Also wanted to know a little bit more on the growth, the growth from let us say the same retailers or the growth in the same largest selling products versus the growth that you are getting on revenue terms through the addition of additional products or addition of other retailers and depots?

Apoorv Agarwal: Majorly, the incremental sale is from the old existing products which are the fast selling products maybe from the new distributors in the new territories or from the existing territory. It is the old and the best-selling products which are contributing them the most rather than the new product, but if you talk about the mix between incremental sale coming from the new network and the existing network, it is almost about 50-50, 50% of the increment is coming from the new territories and also 50% coming from the existing territories because of the more visibility of the brand and strong marketing activities happening.

Harshil Shah: Also lastly what are the competitors that you are most competing with fearful of and why are people deciding to go with you versus the more traditional established brands such as Asian Paints?

Apoorv Agarwal: So our major competitor in the market stands as ICA Pidilite which was ICA before and was taken over by Pidilite in early 2017. He acts as a major competitor for us in the market.

Harshil Shah: Why would people be choosing you over something like an ICA Pidilite, is it a pricing difference, is it working capital you are providing to these retailers or is it the quality?

Apoorv Agarwal: No, working capital is in fact we think that ICA Pidilite is providing a lot more in terms of credit that they supply to the market is even higher than ours, but then our presence, see, Sirca brand started from the Northern part of India 15 years ago and ICA before being ICA Pidilite was majorly a South centric brand, but now moving forward with ICA Pidilite, their marketing strategies and their core mission with the company seems to be that they are positioning again their brand as a local manufactured brand and they are moving towards 100% local manufacturing and they are stopping imports vis-à-vis we, Sirca Paints, we are focused majorly to keep focus on our premium Italian wood coating range which we are going to keep on importing from Italy and do a vertical and horizontal expansion of the product lines from the new facility. So our major edge is that we want to keep the position of our pure Italian brand in the market and enjoy the specification of architects and interior designers and also the end users giving them the feel of a pure Italian product. Besides that, we want to increase the product portfolio from this new facility so that we can take over the increasing chunk of the Italian PU in future because the Italian PU market is growing at a tremendous rate in the coming years and is taking over Indian PU at a massive rate.

Moderator: Thank you. The next question is from the line of Chirag Patel, an Individual Investor. Please go ahead.

Chirag Patel: Sir, I have two questions. First one, do we have any cross listing plan on Bombay stock exchange?

Apoorv Agarwal: Yes, we do have the plans. In fact from the next month, we are going to initiate the
42:05 _____.

Chirag Patel: And by how long we are going to list on BSE, any specification?

Apoorv Agarwal: I think the standard time that it takes, I think 2 to 2-1/2 months that it takes.

Moderator: Thank you. The next question is from the line of Manan Shah from Moneybee group. Please go ahead.

Manan Shah: Sir, I just wanted to know what are the current numbers of Sirca studios that we have and do we plan to open any more studios in the second half?

- Apoorv Agarwal:** So the exclusive studios that we have now, exclusive Sirca studios are now 12 all over India and there are 5 planned in the coming half also which are majorly in the South and the Western part of India.
- Manan Shah:** And also I wanted to know like is the margin profile same for retail and OEM and the mix of the first half as well it is 70-30 only what it was last year, there is no change in the mix?
- Apoorv Agarwal:** Yeah because we are focusing strongly on our increasing distribution network in terms of retail. So we have entered a lot of territories where we were not strongly present in the retail and now we are entering it with the right product range. So the mix more or less is the same as compared to the last year.
- Manan Shah:** And the margin profile, what is the difference in the margin profile between the two?
- Apoorv Agarwal:** The margin is exactly the same because with OEM, we are giving them a single price, the best competitive price, but in dealers, we sell at high rate, but then we have a lot of schemes to be given to the contractor architects and even the dealers. So the final margin comes out to be exactly the same for dealer and OEMs.
- Manan Shah:** What is our sales from our neighboring countries for which we also have exclusive distribution contract like for Bangladesh, Sri Lanka, Nepal etc.
- Apoorv Agarwal:** So we have already identified a couple of distributors at each place and we are in talks and we are waiting for our facility to manufacture some ready batches which we have to send them at samples. In fact, some of our samples are also approved in Middle East, in Dubai, in Bangladesh also. So we are waiting for a facility to come into slow and momentum, so our sales in Dubai and Bangladesh would start very soon.
- Manan Shah:** But that would be of the manufacturing products, what about the product that we import, the Italian PU?
- Apoorv Agarwal:** No, the Italian PU, we are not going to export from here.
- Manan Shah:** We do not have any distribution contract for that in the neighbouring countries?
- Apoorv Agarwal:** For the Italian made PU, we do not have any contract of selling it to the neighbouring countries. It is only the products that we are going to manufacture from the manufacturing facility here in India. So there will be economical PU products,

melamine, NC, thinners and other light wood coating products which we are going to export from here.

Manan Shah: And the growth that we witnessed in the first half, was it from the same geography or was it from the newer geographies that we have entered?

Apoorv Agarwal: So it is a mix of both, the growth was coming also from the new geographies and also a decent growth was coming from the existing geographies also.

Moderator: Thank you. As there are no further questions, I will now hand the conference over to Mr. Sayam Pokharna for closing comments.

Sayam Pokharna: Thank you everyone for joining in. If there are any further queries that have remained unanswered, you can always write me at sayam@theinvestmentlab.in. Thank you.

Moderator: Thank you very much. On behalf of The Investment Lab that concludes this conference. Thank you for joining us. You may now disconnect your lines.