

## SIRCA PAINTS INDIA LIMITED



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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 **Thursday, 11th November, 2021 at 03:00 PM. (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.

This is for your information and further dissemination.

Thanks & Regards,

For SIRCA PAINTS INDIA LIMITED  
For SIRCA PAINTS INDIA LIMITED  
(Formerly Known as Sircolor Wood Coatings Pvt. Ltd.)

Sanjay Agarwal  
Chairman Cum Managing Director  
DIN: 01302479  
Chairman Cum Managing Director

Place: Delhi  
Date: 17/ 11/2021

Encl: as above



Sirca Paints India Limited  
Q2FY22 Earnings Conference Call  
11<sup>th</sup> November, 2021

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Management Participants

Mr. Sanjay Agarwal – Chairman and Managing Director  
Mr. Apoorv Agarwal – Joint Managing Director  
Ms. Shallu Arora – Chief Financial Officer  
Mr. Narinder Mediratta – President (Sales)  
Mr. Suraj Singh – Company Secretary & Compliance Officer



Analyst  
Mr. Sayam Pokharna – The Investment Lab

**Moderator:** Ladies and gentlemen good day and welcome to the Sirca Paints India Limited. Q2 FY22 Earnings Conference Call hosted by the Investment Lab. As a reminder all participants 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 touchtone phone. Please note that this conference is being recorded. I would now like to hand the conference over to Sayam Pokharna from the Investment Lab. Thank you and over to you, sir.

**Sayam Pokharna:** Thank you Rutuja. Welcome everyone and thanks for joining the Q2 FY22 Earnings Call of Sirca Paints India Ltd. The investor updates have been already emailed to you and they are also available on the Stock Exchange and Company website. To take us through today's conference call we have with us Mr. Sanjay Agarwal – Chairman and Managing Director, Mr. Apoorv Agarwal – Joint Managing Director, Ms. Shalu Arora – Chief Financial Officer, Mr. Narinder Mediratta – President Sales, Mr. Suraj Singh – Company Secretary & Compliance Officer. We will be starting with a brief overview of Q2's performance followed by a Q&A session. I want to remind you all that everything said on this call, any outlook for the future which can be considered as a forward-looking statement must be viewed in conjunction with the uncertainties and the risks that the company faces. Some of these risks and uncertainties have been entailed in our prospectus and annual reports. I would now like to handover the call to Mr. Apoorv Agarwal, over to you sir.

**Apoorv Agarwal:** Thank you Sayam. Good afternoon, everyone and a very warm welcome to our earnings call for Q2 FY22. It is my absolute pleasure to be talking to all of you this afternoon and we would like to begin by extending my gratitude to my team, the investors and everyone associated with Sirca Paints for your continued **(Inaudible)** **02:23**. We have witnessed a difficult month because of the second wave of the pandemic and I am delighted to share that we have overcome the challenges and have emerged successfully from them. Our Q2 FY22 performance has been quite remarkable and come as a good news, especially after a couple of difficult quarters post COVID-19 pandemic. As we enter into what is hopefully a post pandemic world, countries and businesses continue to open up and operations are ramping up in full swing. I would like to share some financial highlights for the quarter.

This quarter we achieved a sale of Rs. 60.59 crore as opposed to Rs. 32.12 crore in Q1 FY22 and Rs. 38.10 crore in Q2 FY21. This is our highest ever quarterly sales till date. We can attribute this achievement to our healthy performance on the core Italian PU product range, along with some contribution from the Unico Range of Products. We expect this trend to continue in the quarters to come with Unico share in the topline growing further aggressively. Our EBITDA for the period stood at Rs. 13.42 crore in comparison to Rs. 2.87 crore in Q1 FY22 and Rs. 5.11 crore in Q2 FY21. In Q2 FY22 we recorded a PAT of Rs. 10.16 crore, significantly better than our previous few quarters. In fact, this is the highest EBITDA and PAT reported by the company post the

onset of the COVID-19 pandemic, barring the Q4 of FY21 where we registered higher other income due to the insurance claim. As for our gross profit we did witness some pressure bought on by the ongoing raw material cost inflation which has been true for the entire industry, even though we have not witnessed any further compression in gross profit margin on a year-on-year basis or a quarter-on-quarter basis in this quarter the margins have still not returned to the pre-COVID level, as a result we are planning for a fourth price hike in this duration in the coming quarter. In addition, we have also optimized our cost structure which includes optimization of our team's strength, in fact we have improved (Inaudible) 05:13. So in addition we have also optimized our cost structure which includes optimizing our team's strength that led to an improved operating profitability and reduced operating expenses. We believe that our concerted efforts in Q2 FY22 has finally yielded results and we are able to witness an overall improvement in our financials.

Operationally, in comparison to the previous period we witnessed a proportional reduction in our working capital led by a reduction in deter days in the H1 FY22. Additionally, we are also working on introducing channel financing to further reduce deter days. In addition, we expect also to strictly optimize our inventory in H2 FY22. On the product front our Italian PUs segment remains to be the core contributor to our growth, while Unico added extra mileage to the operations in Q2 FY22. We expect the Unico product range to contribute significantly and drive growth in the future.

To further capitalize on the market opportunities and accelerate the pace of Unico's products the company is planning to commission an alternate manufacturing unit in Southern India, which is expected to take off by the end of this financial year. This unit is expected to cater to the demand in the Southern and the Western region, while also optimizing logistic cost of the company. There was a delay in the sampling process for Durante & Vivan, the adhesive company, with OEMs of the company as COVID related travel ban slowly began to normalize we expect that this process may take place in quarter 3 of FY22. We are expecting a team of technicians from Italy and commence early work on the coming (Inaudible) 07:41. Also, (Inaudible) 07:44 and Marco has been receiving a very (Inaudible) 07:47 response in core markets of Delhi and NCR. (Inaudible) 07:51 and now we are planning to introduce the same at the dealer level in Northern India. (Inaudible) 08:00 once the new manufacturing facility and its infrastructure setup is completed. We plan to launch TV commercial to accelerate our retail sales and to growth trajectory. (Inaudible) 08:16. So, we are also geared up to step up our marketing endeavors in the coming quarters, once the new manufacturing facility and its infrastructure setup is completed. We plan to launch our TV commercial to accelerate our retail sales and to add to our growth trajectory. Apart from this, our branding campaign led us to create a new identity for us, your Italian autograph which messaged together with our journey and what we envision our company to become in the future beautifully.

I will now conclude by saying that we are confident in our abilities and we believe that we are well-positioned to harness opportunities in the market. This performance is, like this quarter we will certainly close the year on a good note. Now on this note, I would like to introduce Mr. Narinder Mediratta – our President sales, who has joined us recently and further he is going to throw some light on our future plans of sales and marketing and the scope of opportunity in the market, over to you Narinder Sir.

**Narinder Mediratta:**

Yes, good afternoon, everybody. I am Narinder Mediratta, I am President - sales, recently joined around two, three months back and as far as Mr. Apoorv explained about the quarter 2 results and the EBITDA extra. I would like to underline some things, some areas which are related to the sales and distribution. So, we have already taken over the strategy for increasing our distribution network and the strategy is divided into three parts; one is this, our business is divided into three verticals, one is the Premium Wood Finishes.

Premium Wood Finishes is basically the Italian PU where we are already having a very good dominance. So Italian PU Finishes, which is called Premium Wood Finishes we are already doing well in the major markets of India, that is mainly Haryana, Punjab and this upper North and including the MP and Chhattisgarh also. So, the Premium Wood Finishes are basically confined to ten or twelve cities where Sirca is dominating more than seven to eight States. So, remaining four States, Premium Wood Finishes we have already started the operations, we have already hired the professionals from the same industry. I was also in the same industry for 30 years, I was in Nerolac Paints as a GM for the North. So, we have already started benchmarking the depots, areas, States where we are not doing well in Premium Wood Finishes, which is our major focus area. So, the three, four states where we are lagging behind in, those are Gujarat and Hyderabad and some parts of South. So, as Mr. Apoorv said, we are going to have a manufacturing facility at South, which would really help us to increase our penetration into the markets, where we are not able to do much because of the logistic cost and because of some other difference also. So that can be addressed as soon as we come out with the plant which is very near, means we are very near to it, maybe in three or four months we will start our operations there. So as far as the distribution is there for the Premium Wood Finishes, that has already been started in the areas which are virgin for us. So that four States where we are not able to do well because of some reasons, maybe the logistics so be, we have already addressed.

And the second part of our business is the Popular Wood Finishes, which is basically earlier dominated by a very low value products but the good part is, that the Popular Wood Finishes which is the second part of our business, that is very rapidly growing to the Indian PU, which is the Unico. So Unico launch is going to give us a very good results in coming six months because Unico acceptance in the market and this product has a better performance than the products available in the market at a low price. So, the price delta is around Rs. 50, Rs. 60, Rs. 70 a liter, which is easily absorbable by the customer and a dealer inclination is also there to move to Unico range. So Unico started

giving us a very good growth, so Unico is a product which we are trying to penetrate across country because Unico is unlike Premium Wood Finishes, it can be sold to any place, any place in India because the Popular Wood Finishes are available anywhere in India. You go to even Gorakhpur, you will find the Popular Wood Finishes, so we have started our distribution for Unico for all India. So, we are focusing more on penetration than our volumes, so we are trying to increase our participation to 6000 dealers in India. And this target is, we have taken before we start another financial year our billing point should be increased to 5000 points to 6000 points. And for this we are increasing our small branches and we are focusing on the stage where the Popular Wood Finishes are emerging to or upgrading to the Unico range, Unico means the Indian PU.

And the third part of our business is the Wall Coatings. So, Wall Coatings earlier we were not there but for last one and a half year, we started Wall Paints and now we have started getting the response from the market because the channel is same. So, our sales officers which are moving the market, the contractors are same, they use PU, they do the Wall Paints also but earlier we were not there in Wall Paints, so we are not getting that sales. So now our sales officers are, every day we are having training sessions for them that they have to ask for the entire range order rather than just for Wood Finishes because Sirca is having a very good equity for Wood Finishes, means Wood Finishes means Sirca. If you see the three brands in India, so Sirca would come, in most of the States it would be on a first place but in Wall Paints we are a new entrance. So earlier, we had some teething problems but now we started getting very good results and last two, three months I have seen that the dealers are selling it as an Italian Emulsions and they are selling it at a benchmark that this is a very good product and the performance of the product is also good. So, the best part is, the channel is same, so we do not have to recruit two teams, the same team is getting the orders for Wall Paints, the same team is getting the order for Premium Wood Finishes and the same team is getting the order for the Popular Wood Finishes which is low-end products. So, these three products we are not changing any channel, so the best part is we are diversifying into the same channel. So that is the best part for any business, that the same team can be utilized to increase the volumes and eventually increase the value of the company. So, my plan is to make the participation level to above 5000 in coming three months' time, everyone is touring, every sales officer, every sales manager including me, we are touring to the places which are virgin for us and where the competitor is doing well and the best part is, we are getting very good response, not even on Wood Coatings but even on Wall Paints also. So, our first target is to make one good dealer in every town, so my first plan for the next six months is, one weighted reach, very good dealer in one town. So at least our, whenever we start our advertising, whenever we start our campaign on the media, so at least the material should be available in the town. So that we have already started, we have already made the plan for our team to make dealer expansion in next six months and I am confident that we will reach to above 5000 participation level very soon. And the response is good for all the products, especially for Unico, which the market has taken it as a product which has

a very good performance, from the lower grade products and this product growth rate is very high. And we are expecting that this product will work as an entry vehicle for us to get the penetration into the competition shops. And we are focusing, one more strategy what we are adopting is, we are focusing on Retail packs because earlier we were more focusing on the contractors but that approach will still remain intact, we are not diluting that but now we have started opening the good Retail counter, so we are getting very good response on 4-liter and 1-liter pack, which is used for the repair purpose at home. So that is a very good sign because earlier those dealers they were buying sometimes Asian or sometimes some local brands also because the Sirca was not there at their shops, so the increase of distribution, will get us very good sales in 4-liter and 1-liter packs, which is highly profitable for us. And I see no hindrance in these plans for next six months that we reach to 5000 to 6000 participation level per month and the distribution in the virgin towns where we are not available, virgin and high potential towns and I feel that from the next quarter, we will do much better than what we have done in this quarter. That is all from my side.

**Moderator:** Sir, we will start with the question and answer, thank you. So, we will now begin the question-and-answer session, anyone who wishes to ask a question, may press '\*\*' and '1' on their touchtone telephone. The first question is from the line of Parth Agarwal, an individual investor, please go ahead.

**Parth Agarwal:** Hi, thank you for the opportunity and congratulations on a good set of numbers, especially on the margin front. So, my question is around that only, so you have fared better than the large investment players in terms of gross margin compression, so was there any one-time inventory behind quarter 2 or there were any purchases or roll rates or are the margins going to remain stable going forward? So, just wanted to understand because all the paint majors have lost margins big time. That would be my first question.

**Apoorv Agarwal:** I lost you in between, can you quickly repeat what was your question on the gross margin front?

**Parth Agarwal:** So, most of the paint majors have lost their margin in this quarter but you seem to have maintain and actually gain on that, so just wanted to understand its differential, is there any one-time inventory gain or something like that or is it sustainable?

**Apoorv Agarwal:** Yes, actually there are two major factors owing to maintaining our margins better than the industry in this quarter, one was that obviously we were stocking a bit more from Sirca Italy, considering the overall pandemic situation and delays in the logistic cost, so this was helping us to have more of the inventory at the older prices, which is the reduced prices and secondly, we have worked very strongly towards the optimization of our six expenses related, on manpower and sales front which has actually contributed a much quite a bit in terms of helping our EBITDA to be stronger one, besides that with the technical expertise of Sirca Italy we have some better know how from them to actually camouflage the increase of the raw material by starting and by implementing

the new formulations which I think every company obviously is doing but yes we are working very aggressively on the alternate raw materials and the alternate formulations again which are helping us to cut down on the increased effect of the raw material which is actually crazy at this point of time, so but majorly if you talk about in this quarter, the old inventory, the major stock that we had at the old price and the major action happening towards the optimization of the cost was contributing to maintain our margins better than the industry.

**Parth Agarwal:** Okay fair enough. And secondly, I wanted to understand if the raw material price inflation is more prominent on the wall paint side than on the Italian PU side? And if this is true, then is it applicable for all players, just wanted to understand that?

**Apoorv Agarwal:** Yes, so the effect of this raw material in the beginning of the year it was more towards the polyurethane coating side but now it has also impacted equally the wall paint side when titanium and other emulsions are becoming a task to procure, so the thing is that whatever is happening in the raw material industry is actually for the whole world, for the whole economy and for all the competitors, so the situation is actually identical for each one of us.

**Parth Agarwal:** Right and since you have mentioned you are planning for a price hike in coming quarter, so can you guide us to the extent of price hike that you are planning? And secondly, will the market be able to absorb this kind of price hike?

**Apoorv Agarwal:** Yes, so luckily for us the leaders of the paint industry have already introduced a price hike which are happening in the next week, so the acceptance obviously will be much easier because the industry leaders are doing the hike and our hike would also be a bit less because we started hiking the prices, starting from the month of April, so we have already done 3 price hikes compared to two by the top companies but now they are coming up with the third price hike, so our price hike will be there and maybe an average hike of about 5-6%.

**Parth Agarwal:** Okay just one final question from my side, so if suppose hypothetically speaking if this inflation scenario continues for let us say couple of more years, so what would be your approach will you keep on going for the price hike or your focus will be on protecting the market share or profitability, how will you strategize?

**Apoorv Agarwal:** Yes, so strategy obviously going forward is also to explore the other vertical of products which are aggressively now being launched in the market, so our core business and core growth comes from the Italian PU products, where we are exploring the new product range which are made from the bio products which are still available at a decent price, which is higher than PU but now considering the inflation in the coming year, this product is going to play a key role, so we are going to introduce a lot of new technological polyurethane products in the market where one technology is acrylic and other technology is bio water based paints and with the PU, yes the inflation when it will



pick up obviously we are eying to balance it out with these new products that we are going to launch in the luxury product category.

**Moderator:** Thank you. The next question is from the line of Aakash Javeri from Perpetual Investment Advisors. Please go ahead.

**Aakash Javeri:** I have three questions. So, the first question was the investor presentation mentioned that the facility where we had a fire accident in June 2020, so that facility is now available for commercial production, just wanted to understand the last statement that does that mean the plant is already been commercialized or is it available for commercial production, so when would commercial production start? So that is the first question. Second question is that the plant that we are setting up for the Southern and Western market, where are we planning exactly to setup, what products are we looking at, what will be the CAPEX and the asset also if you could throw some light on that part of the update? And the last question is that in the balance sheet if we see the capital work in progress, so that is increased pretty significantly as Rs. 11 crore, so what exactly is that Rs. 11 crore, if you could throw some light on that? That will be all from my side.

**Apoorv Agarwal:** So, to answer your first question, the production facility is already been commissioned and if you talk about this quarter, we already did a production of about 7 lakh liters, so out of which about 2 lakh liters a mix of NC melamine and PU products, majorly melamine and PU products and other 4-4.5 lakh were majorly thinners. Going forward this facility is now going to aggressively produce more of the polyurethane products which is sold under the brand umbrella Unico as Mr. Narinder Mediratta said that we are penetrating into the virgin and high potential cities and we are increasing our number of dealers which is actually promoting more of the Unico products, so in coming years we expect that this capacity which is now running at about 20-25% by the end of next financial year it will be at a 100% capacity, but currently if we talk about I quarter 2 we did a production of about 7 lakh liters from this facility under Unico. The second plant we have actually short listed the location of the plant in Coimbatore and this will be with the CAPEX of not more than Rs. 5 crore or Rs. 5.5 crore odd, where the focus of the product which are going to produce there will be the economical products which will be majorly Melamine certain part of MCs and economical range of our Wall Paints products which is the premier and the economy emulsions. Moving on to you third question, the working capital increase that you are talking about the balance sheet, this is majorly because of the new Head Office that we have shifted into, previously we were in the Badli Industrial Area where it was a Head Office cum basic godown and now our major centralized godown has moved to Bakoli Alipore, so our headquarters of Sirca Paints have shifted to Kirti Nagar in a new building in the center of the Asia's largest furniture market. So, because of that, it shows a, it has not been capitalized in this quarter, so maybe it is going to capitalize in the next quarter.

**Moderator:** Thank you. The next question is from the line of Amit Purohit from Elara Capital. Please go ahead.

**Amit Purohit:** Hi, thank you for the opportunity and congratulations. I wanted to understand from a competitive intensity perspective, you indicated that you have taken a kind 3 times pricing increase, so what would have been a cumulative price increase by you versus competitors from April to now?

**Apoorv Agarwal:** Okay, so yes if you talk about the cumulative increase with the Sirca Italian Products, we have done a price increase of about 12% but in return we have also increased certain rebates, so to be at par with the market and if you talk about the Unico and the Wall Paint range, again the price increase was about 8% till now and another 6% to 7% is going to be introduced in this coming month. So, if we compare ourselves with the competition, the price hike in the Indian made products and the Wall Paints is at par with the competitors. In the Italian products, Italian PU range it is a bit higher compared to Asian Indian made products or other brand Indian made products because of the Euro impact also but the good news is that Euro is now being controlled and it is showing a downside so it is giving us a **(Inaudible)** 31:23 float out some scheme, so overall if we speak about the last two quarters, we are almost at par with the increase with the competition.

**Amit Purohit:** Now, with 5% to 6% price hike, you would match up with competition as far as till November is concerned, so that is 12% now for ....

**Apoorv Agarwal:** Absolutely.

**Amit Purohit:** But still your price hike would be slightly ahead in the Sirca range of Wood Finishes, right?

**Apoorv Agarwal:** No, for the coming month it will be more or less the same.

**Amit Purohit:** Okay and I know these are Premium products, so it hardly has any impact on the demand side but are you seeing some kind of aggressiveness on the competition and which is forcing you to actually increase the rebates and all? And what was the increase in rebates, so just to get, was that the reason for increase in the rebate or it is part of your normal exercise?

**Apoorv Agarwal:** So if you talk about the beginning of the quarter 2, which is the month July and August, we were seeing very aggressive rebates from the top Paint companies which was actually forcing us also to focus on the rebates after the increase that we took, but by the mid of quarter 2 actually we saw a major change and shift in the actions of the top paint companies because the rebate was also been reduced and they took a very major price hike in the month of September, to be precise on the 22<sup>nd</sup> of September, it was a very big price hike by all the top 5 paint companies, so currently if you talk about the rebate situation is now in much control and I mean they are now reacting in much more conservative way to take on the market and they are giving importance to the increase

because the situation does not seem to be in control related to the raw material in the near future.

**Amit Purohit:** Sure, and second one, our Unico range, I mean we have on the economy side largely and on the entry level, so what is the pricing differential versus the competition at this point of time? Is there any differential or probably the prices are same?

**Apoorv Agarwal:** No, so Unico prices, Unico made in India PU products prices are at par with the other brands made in India PU products. We are offering a better-quality product at more or less the same price, sometimes even better to be aggressive in the B-towns and the high potential towns but yes, under the supervision of Sirca at least, we are quite sure we are very confident on offering a much better-quality product.

**Amit Purohit:** Right and Unico would be there in your Wall finishes also or that is a separate San Marco kind of range on the Wall Paints sorry?

**Apoorv Agarwal:** Wall Paints is sold under the brand **(Inaudible)** 34:44 Sirca and Marco beginning of this year. The special paint **(Inaudible)** 34:57 leads to the Wall papers.

**Moderator:** Thank you. The next question is from the line of Vidya Verma an Individual Investor. Please go ahead.

**Vidya Verma:** I have a couple of questions sir I will start with the first one which is about the last price hike, so you spoke briefly about your forth price hike which is sometime next week, so we just wanted to understand when was the last price hike and when did it happen?

**Management:** So the last price hike was actually announced on the 22<sup>nd</sup> November when majorly the other paint companies did it, but actually the price hike was made applicable in the market from 1<sup>st</sup> of October 2021. So, it is almost a bit more than a month that we increase the price all our product range, but the last price increase was not a very massive one compared to other competition because the other competitors did a average price increase of 8%, 8.5% whereas our average price increase was about 4% because we did a couple of increase earlier also we were not waiting to do a increase together we did in parts.

**Vidya Verma:** My next question is I also want to understand if the growth of this quarter Q2 FY22 has been more price driven or volume driven?

**Management:** If **(Inaudible)** [36:51] the contribution of the chemicals has also increased so it is not **(Inaudible)** [36:59] is coming from the Italian products. The major contribution for the growth has come from the new product which is coming from facility which is the Unico made PU as I told you that in the second quarter the question of **(Inaudible)** [37:13] including the thinners and **(Inaudible)** [37:16] new network and the existing network where we are selling Italian PU. So, it is more of a volumetric growth rather than the

price increase growth because few of the products coming out of the new facility is increasing aggressively.

**Vidya Verma:** My next question is how is wall paint performance this quarter if you can just tell us a little bit on that?

**Management:** The wall paint performance in this quarter was also satisfactory because the focus team which has joined has just begin the segment that should be in the limited period the growth in the wall paint sales has been quite high for this quarter still we are not near to what we actually want to achieve in the wall paint segment. Unico has shown a very positive momentum, but there is a positive moment at the wall paint side also.

**Vidya Verma:** So my next question is for this entire financial year that is FY2022 what is the percentage that you and the management are targeting from the Unico product range?

**Management:** Yeah it will be about 15%.

**Vidya Verma:** I have my one last question actually which is about the dual tinting machines at the dealer level which we had talked about in the last annual report and it was quite an interesting strategy to be honest and so yeah you are supposed to do that with the dealers and as long as they commit certain value, so is this working in reality how is this turning around for us?

**Management:** If we talk about the twin machine frankly speaking still it is under the process of commissioning. So as of now we have only commissioned 6 of twin machines. We are still focusing I mean we did a small change in our strategy of introducing a wall paint so the twin machine was with the target of also tinting our wall paints, but initially now we have changed our strategy where we are more focusing on selling our basis rather than the pigment where we are forcing the dealer to also introduce the installed the tinting machine. So go forward we are now focusing more on the single PU tinting machine which is much easier to be installed at the dealer level and we are at the wall paint segment our initial this year focus is to sell more of the white and the basis of our wall paints.

**Moderator:** Thank you. The next question is from the line Ashish an Individual Investor. Please go ahead.

**Ashish:** My first question is I think two, three years ago we were at 25%, 27%, 29% EBITDA margins and then COVID came and plus the fire incident happened and so on and so forth the margin dip fortunately we again performed decently in this quarter I wanted to understand when do you think we will reach back the normalized margins and what do you think the EBITDA margin should be for an organization given the product mix that we have now?

**Management:** The EBITDA margin as we expect in the near future is about 21%, 22% plus and yes we will be able to achieve this in the coming next quarters in fact within this financial year because now the production from the facility has ramped up so the new products are going in and the fixed cost of the salary and other expenses are not increasing in the same ratio since we did a lot of infrastructural expansions and the team expansion in past one and half years eying the facility to begin in last year only, but unfortunately it was delayed so the expenses side was under pressure, but now since the expenses related to the salary side is not increasing and the sales on the facility is increasing quite fast as you see in the Quarter 2 and we will see in the coming quarters. The EBITDA will come back to our normal values which we think is about 22%, 23% by the end of this financial year.

**Ashish:** So will you not come back to the 27%, 29% as we used to have earlier?

**Management:** So as of now for next one year eying the new facility that needs to be commissioned and aggressively promoting the economical side of products like NC Melamine from the Unico range and premium and economy emulsion it might take a bit of time maybe more than year, but for sure 22%, 23% is what we have to give the normal EBITDA going forward.

**Ashish:** We are also sort of planning expansion in other countries I think there are talks in the Middle East and then Bangladesh and Nepal I think we have the sole light anyway what is the progress in those countries for us?

**Management:** So Nepal is one where we already signed the agreement with the Reliance Paints and new studio is coming up in the month of November and the sales there has begun not big numbers, but yeah the momentum has begun and we see a big opportunity in the last quarter of the financial year from Nepal. If we talk about Sri Lanka and Bangladesh already we have couple of names but due to the travel restrictions yes there was certain delays in terms of them visiting us and we visiting them to close on our agreement which we see in the new future to happen especially for Nepal and Bangladesh with the Middle East and obviously there the situation related because of the price increase is actually hampering them a lot because Middle East is a market where the local PU manufacturer also fight aggressive and this Unico series one which we are eying at. Now the facilities have ramped up and the Indian made PU Unico PU is picking the momentum and we are also working towards the cost optimization. So, maybe in the coming years Middle East may also get materialized but as of now Sri Lanka and Bangladesh are the ones where we expect that within this financial year we will sign off the agreement and Nepal will start performing within this financial year.

**Ashish:** They are also talks I think you mentioned that the parent company Sirca Italy was looking to sort of increase investments into the Indian company that is our companies, has there been any progress on that?

**Management:** Yeah so that is also on cars and as we explained last time the long visit was the pending to visit India. So, we are expecting it in the mid December to be precise. I think after 13 is what we are eying at if everything keep normalize to visit and take this discussion on papers.

**Ashish:** My last question I think somewhere we started as a company went to imported sort of wood polishing and IPO came because wanted to set up Indian manufacturing from Melamine would be relatively lower grade and wood polishing product then we went into wall paints and wall putty and then we signed up for sales and distribution, arrangement of those two companies one is adhesive and one on the other side, somewhere do we feel are we spreading ourselves by too things by focusing on too many products and not focusing on one product category I can to an extent understand that share of share of wallet and a distributor ultimately need to sort of fulfill a certain value makes it makes economic sense, but instead of one product we are straight away expanding to 6 products are we somewhere losing focus on categories that actually maybe a better focus might lead better results than sort of spreading ourselves [45:56] focusing on five, six categories?

**Management:** If you talk about our focus to be very frank the [46:10] the word selling the polyurethane coating which is the coating for the world and we were the leaders and we are the leaders in the pure Italian wood coatings and saw quite big in the coming years was also to manufacture different line of **(Inaudible)** [46:28] increasing market when in next five years this market is going to be big. We made all our decisions to have our retail space to have our presence at each and every shop of paint in India not only in North, but also South, West and East. So, considering India as a whole we did a lot of research that what all products need to be in our basket so that each and every retailers welcomes us and Sirca reached to their counters. With the back of the mind always the focus of the company remains again at the polyurethane coating where we are doing the R&D and we are introducing the new products relating to PU products everyday beside that the NC Melamine which is again a part of wood coating and beside the wall paint and the San Marco are the products which are quite much driven by our architect market where are getting our representation of brand Sirca which is helping us finally also to move our wood coating fast in the market where we do not exist very strongly like Hyderabad or like in some apart of West India like so yeah we have introduced different verticals, but one thing is that all of them are sold through same channel secondly through same team and third with a vision to grow our wood coating business.

**Moderator:** The next question is from the line of Mohammed Patel from Care Portfolio Managers. Please go ahead.

**Mohammed Patel:** So my question is what the peak sales that you can generate from current capacity after the expansion?

**Management:** The current capacity can generate a sale of about 207 up to 245 odd crores depending upon the product mix that we manufacture. At the current product mix obviously the thinners manufacturing has been more in the Quarter 2 so out of 7 lakh 4.5 lakh was and 2.5 lakh was C Melamine and polyurethane coatings. Going forward the ratio of PU and Melamine is going to increase which will help us to have a better realization and this at peak we can reach to a turnover of about 240 odd crores from this facility.

**Mohammed Patel:** My second question is what is the sales mix for Q1 and H1 volume and value wise so this premium wood coating Unico and wall paints what is the sales mix?

**Management:** For the Q2 about 9.5 odd crore was coming from Unico about 4.5 crore was coming from the wall paint and the rest was contributed about 47 crores, 48 crores was contributed from the Italian PU.

**Moderator:** Thank you. The next question is from the line of Vijay Chauhan from Right Horizon. Please go ahead.

**Vijay Chauhan:** Couple of questions on the long-term growth side, so what kind of like growth expectations we are looking at if we look at the three to five years of horizon in terms of revenue given that all the cases are now coming together and also like we are exercising the new plants and all?

**Management:** Sorry can you repeat I think I lost you so you are talking about the long-term growth.

**Vijay Chauhan:** Yeah so we have been talking about the 25% plus kind of growth in past call so like are we sticking to the same performance in the long-term side?

**Management:** So on long term business to be a 1,000 crore company and eying the growth that we are doing and we are expecting in the next financial year. We are quite confident to achieve it so we are working at a 25, 30 plus CAGR growth.

**Vijay Chauhan:** And what kind of capital efficiency ratio or let us say return on capital employed we are keeping in mind when we reach this kind of mark of 25% CAGR for next three to four years like any number that is or any limit that we have kept in mind so that we do not go below that capital efficiency?

**Management:** On the capital side obviously, we do not see any negative side or any pressure on the capital side reason being that keeping in mind our first capacity which has been done with the capital expenditure of about 32 odd crores which can generate a turnover of I will speak about 240 odd crores it will be on the brighter side only. So, 25% to 30% plus ROC is what we see minimum.

**Moderator:** Thank you. The next question is from the line of Mohammed Patel from Care Portfolio Managers. Please go ahead.

**Mohammed Patel:** So, what are the CAPEX requirements that you are expecting when you reach from here let us say current peak to 1,000 crore in next five, six years on an average on annual basis?

**Management:** Can you repeat.

**Mohammed Patel:** What are the CAPEX requirement that you are expecting on a annual basis in the next four, five years or whenever you aspire to reach 1,000 crore?

**Management:** So for this financial year it is about 5 to 7 odd crore which we are eyeing as a CAPEX to setup new facility and to reach 1,000 crores we are expecting three more facilities to be added one in the South which will be done this year and one is the West and one is the East and one maybe extension to the existing facility. So, we are not eyeing more than about 15 odd crores expenditure to increase this capacity and to reach to our 1,000-crore mark.

**Mohammed Patel:** So from 250 to 1,000 you will need maximum 15 crores, 20 crores that is the right understanding?

**Management:** Absolutely there will be the majority contribution also by our pure Italian products.

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

**Apoorv Agarwal:** Thank you so much. I again thank each and every one of you to joining this call and as I said that we are quite confident in achieving our long-term goal and we believe that we are well positioned to actually capitalize on the opportunities which are available in the market with the strong team which we call as the veterans of the paint industry on board we are quite confident of achieving our future goals and with the performance like this quarter we will certainly close this year on a very good note. So, thank you everyone and over to you Sayam.

**Sayam Pokharna:** Thanks a lot sir. If there are any further queries you can write to us and we would be more than happy to get back to you. That is it from my side.

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