

Sirca Paints India Ltd
Earnings Conference Call
Nov 14, 2022

Moderator: Ladies and gentlemen, good day and welcome to Sirca Paints India Limited Q2 FY23 Earnings Conference Call hosted by TIL Advisors Private Limited. As a reminder, all participant lines will be in 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. Sayam Pokharna from TIL Advisors. Thank you and over to you.

Sayam Pokharna: Welcome everyone and thanks for joining the Q2 FY 23 earnings call of Sirca Paints India limited. The investor updates have already been emailed to you and are also available on our website and on the Stock Exchange website. To take us through today's results, we have with us from the management team, Mr. Sanjay Agarwal, Chairman & Managing Director, Mr. Apoorv Agarwal, Joint Managing Director, Ms. Shallu Arora, Chief Financial Officer and Mr. Suraj Singh, Company Secretary and Compliance Officer. We will be starting with a brief overview of the quarter gone by Mr. Apoorv Agarwal, followed by an overview on the financial performance by Ms. Shallu Arora. I would like to remind you all that everything said on this call that represents any outlook for the future that can be construed as a forward-looking statement must be viewed in conjunction with the risk and uncertainties that we face. Some of these risks and uncertainties have

been mentioned in our prospectus and follow-on annual reports. I would like to hand over the call to Apoorv sir, over to you.

Apoorv Agarwal: Thank you Sayam and good afternoon everyone and thank you for joining our earning calls for Q2 FY23. It is my absolute pleasure to be talking to all of you this afternoon. I would like to begin by expressing my gratitude to my team, the investors and everyone associated with Sirca Paints India Limited for your continued faith and trust in us. I would like to quickly take you through the performance of this quarter followed by an update on financial performance by our CFO Shallu Arora post which we can open the floor for questions.

As you can see from our performance in Q1 and Q2 in FY23, it has been on a solid footing for the company. We witnessed healthy growth in the top line in both Q1 and Q2. The performance has been good across all product portfolios while Italian PU continues to be the bedrock of our performance. Other emerging categories like UNICO are also making a noticeable contribution to our top line now. On the wall paint side, the response is good and more specifically in our premium category of solid color finishes and texture coating that is San Marco. Keeping in mind the response of San Marco so far, we are launching our first exclusive experience center for this portfolio, beginning with our first one in MG Road located in New Delhi and the other one is in the pipeline. The movement on Durante & Vivan Hot Melt Glue portfolio is yet to pick up, and we have ordered the container with a full load of products for the sampling for our OEM customers, which is expected to arrive within this month. On the resin side, as announced in a previous investor communications, we were in the process of commissioning a resin manufacturing line in our existing Sonipat facility, which is now operational since the end of Q2. Currently this line is manufacturing resin for our melamine and NC product category under the UNICO

brand and the next step is we are planning to take up the manufacturing of resin for UNICO. PU range of products we believe this project will be very crucial in standardizing the quality of the manufactured products and also will aid in cost optimization. The South India Manufacturing facility remains on hold for another quarter, but we are quite confident that we will be in a position to share updates on the same before the end of this financial year. The demand outlook for the coming quarter remains solid, barring some minor seasonal disturbances like temporary stop on the spray painting due to pollution related issues in the Delhi NCR region. Otherwise, we expect to do much better in the H2 FY 23 compared to our H1. Now I will hand over the microphone to our CFO to take you through the financial highlights for the quarter over to you Shallu.

Shallu Arora:

Thank you, good afternoon ladies and gentlemen. It's an absolute pleasure to be here with you today. So on the financial side, Q2 FY 23 remains our highest level quarter in terms of revenue from operations with sales of 72.92 crore, there is a strong increase of around 20.3% year-on-year and 18.9% quarter-on-quarter, this is despite a higher base of both Q1 FY23 and Q2 FY22. On the profitability front we have recorded an improvement in EBITDA margin which stands at 26.3% in Q2 FY23 compared to 25% in the previous quarter and 22% in Q2 FY22. Our profitability has been aided by price hike taken during the last quarter, coupled with cooling down of raw material prices and then depreciation in Euro. Our PAT for the quarter stood at the highest ever at rupees 14.42 crores up 41.9% year-on-year and 23.5% quarter-on-quarter. We continue to maintain our solid balance sheet position with zero debt and surplus liquidity to fund our future growth and expansion plans. On the working capital front we carry higher buffer inventory to avoid any supply disruption of imported products coupled with

increasing manufacturing activities. Further debtor days also remain under control. Now we can open the floor for questions.

Moderator: Thank you very much. We will now begin the question and answer session. We have our first question from the line of Sandesh Agarwal from Sahasrara Capital. Please go ahead.

Sandesh Agarwal: I have a few questions. I'm new to this company so my first question is what is your key differentiator against ICA Pidilite and Asian paints regarding product.

Apoorv Agarwal: So ICA Pidilite and Asian paints, as you rightly mentioned, are our main competitors. But currently if we talk about our product portfolio currently we have a larger kitty of products to offer to the market compared to ICA Pidilite secondly, we are the only company now which are still offering 100% made in Italy products so our presence amongst the architecture and influencers still is much more when it comes to recommendation through architects of Italian product. Third our strategy if we compare against the Asian Renner, we are quite more becoming preferred partner of dealer where we are entering because we are offering a secured margin to the retailer. So three main points where we differentiate. And where we say that we are a step ahead, then our competitor is a bigger product kitty compared to ICA Pidilite, a better presence amongst the influencers, especially the designers when it comes to the 100% made in Italy product, which other main 2 competitors doesn't have and thirdly, a better margin to offer to the retailer so as to keep their interest in our brand.

Sandesh Agarwal: OK, and my second question is Sir. What is the market size of Italian PU and economical PU? And among that, what is our market share in both the Italian PU and economical PU?

Apoorv Agarwal: See amongst the Italian PU, we still are enjoying, almost 20% market share, above 20% market share. Because this market has grown more than about 800 to 900 odd crores considering the data that we have from Europe of export. But once the (inaudible) in Asian Renner is moving towards manufacturing in India also of the product which they import from Italy the actual imports of these products are declining but for us. For now, we are still maintaining the Italian identity for sure. In the coming months, 5-6 of our main products will be produced in India, so we will be in a better stage or position to compete in the market in terms of pricing. But as of now, we hold more than 25% share when it comes to the pure Italian category. Overall PU market. If you say which combines of the Italian PU made in India, PU, 1K, 2K, waterborne thinners, wood fillers altogether, is above 6,000 to 7,000 odd crores out of which we are still present in a smaller niche because the uniform manufacturing has just started and we are increasing our distribution footprint. So currently the market size of the total wood coating is above 6,500-7,000 crore.

Sandesh Agarwal: So what is the mix of Italian and non-Italian in our current quarter sales and also the product wise sales like UNICO and wall paint?

Apoorv Agarwal: So if we talk about the contribution of Italian, it still remains on the top and approximately 67% of our sale is coming from the Italian PU. 12.5% is coming from the Unico range of products and other 12.5% from the thinner so combined Unico is about 25% now, and wall paint is still a very small contributor of about 4%.

Sandesh Agarwal: OK, So what is the capacity utilisation for H1 for UNICO and other PU?

Apoorv Agarwal: Yeah, so for the NC melamine and together with the UNICO we are almost at 35% of utilization with the single shift. So we are expecting that, the H2, the momentum from the newly developed distributor

states where the UNICO products are moving is going to be quite far, so we expect that in less than a year we will be able to achieve 100% capacity.

Sandesh Agarwal: OK, how many tinting machines until now you have installed at your dealer distributor network?

Apoorv Agarwal: So in dealer distributor network currency we have installed above 60 machines. Out of this 80% is in the northern part of India which includes Delhi, Punjab, Haryana, UP, UK and Uttarakhand. Now we are expanding out to Gujarat and Maharashtra and South very aggressively and we expect that other 50 machines to be installed in H2.

Sandesh Agarwal: OK and so how do you see the response regarding tinting machines from our dealer distributors.

Apoorv Agarwal: Yeah, so the response of the tinting machine is very good because the sales of the color, the sales of the pigmented coatings is increasing because people are now using more colors on their kitchen wardrobes and furniture. So the demand for the pigmented PU is rising every day. And by installing machines the margin of the retailer, especially in the light color products increases quite high because this and unfortunately the sales of the light PU is more than dark, so they are earning very good margins. That is why we are very keen to have the machines, so we are satisfied we have come out with a very aggressive policy of machines wherein we are offering the machine at a very good financial contract so it is attracting a lot of dealers and we are adding more dealers to join with our machine program and in future we are expecting that the sales related to the pigmented PU is going to rise and dealers are showing quite keen interest because from their counter, the sale of colors are increasing every day and with the

machine they can earn very good margins, especially on the light range of colors which contribute more to the color sales.

Moderator: Thank you, we have our next question from the line of Rakesh Pal from Peace Wealth Capital. Please go ahead.

Rakesh Pal: So my question is, what is the volume growth in this half year, H1 of this financial year 23?

Apoorv Agarwal: So the volume group also stands between 15% to 18%.

Rakesh Pal: So most of the growth is volume driven growth, right?

Apoorv Agarwal: Yes now it is volume based because all the price increase that was done was in the last quarter of FY22 and from the first quarter of FY23 all the prices have started to come down so our screen inflow has increased in the market.

Rakesh Pal: And, Sir, with the increasing capacity utilization, can we expect some operating leverage playing out since it was around 30% capacity utilization?

Apoorv Agarwal: Yeah it is going to increase, but we are also increasing our marketing spend. We are increasing our spend towards the marketing and distribution so we are quite kind of maintaining the balance on that front.

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

Vijay Chauhan: So just see if I look at the dealer number dealer distributors so it has reached approximately 1700 workings of 1496 as of Q1. So what is the strategy that we have deployed that has worked very well for us in terms of dealer addition in just a single quarter.

Apoorv Agarwal: So currently we are now entering into the new market for the distribution, especially which I mentioned in Maharashtra, Gujarat, Bangalore and Hyderabad means Karnataka and Telengana and with the UNICO range of product also launched in the northern part where we are strong like Delhi, Punjab, Haryana. We are reaching out to the second set of dealers where the sale of PU is increasing now, so the set of dealers is increasing, the set of dealers are expanding horizontally and vertically. The more numbers are coming from the new markets where we are entering with the UNICO PU, which has a very good price advantage, good quality and the market for primary PU is increasing. So the retailers are more attaching to us and every month we are coming out with new dealers attached in the new directory. Besides this in our existing strong area where we are strong with the Italian PU, we are adding more retailers because the PU is now not only limited to the top retailers, but the market share is increasing to the other retailers where we are reaching out with the UNICO made in India. Few where the response has started to come up and we are expecting the momentum to grow faster and that is why we are quite confident that in H2 we will be able to add even more retailers that we did in H1.

Vijay Chauhan: So any internal target that we are targeting in the next couple of years on the dealer number sign, let's say from 1700 to any rough claims that, any color on that?

Apoorv Agarwal: So at least we estimated in the beginning of the year that by the end of this year we will cross at least 2000 retail points, keeping in mind our distribution expansion. So we keep on that number and hopefully if things go well, the momentum keeps on going like it has shown in H1. Obviously the results in H2 can be much better.

Vijay Chauhan: And on the new geography expansion that we mentioned like Gujarat and Maharashtra. So what is the difference in terms of consumer

behavior of price and sensitivity versus if we compare with the other parts of India whether they are more price conscious or they are looking for a quality, any difference that you're experiencing in the first hand side.

Apoorv Agarwal: So market compared to the northern and the eastern part of India it behaves a little differently especially in Gujarat and Maharashtra when it comes to the polyurethane coating. There is a sensitivity when it comes to the pricing, and surprisingly these two are the markets which end user to the retailer remains the contractor. That is why the price sensitivity comes quite high. If we talk about northern India we are more driven by the end consumer. Also, when it comes to the pricing and our main influencer remains the contractor where we attract him through our aggressive schemes, but on the contrary, when it comes to Gujarat and Maharashtra the final thing that matters is the landing price to the contractor because he actually remains the main buyer in these markets. So there is quite a difference in terms of the pricing and you know material replacement strategy when it comes to the Gujarat and Maharashtra market, and on the other hand the product also, there are certain products which are very fast moving compared to Northern India where there are 8 to 10 products which contribute to major turnover. On the contrary, in Maharashtra and Gujarat there are like 4 products which contribute to major revenue when we read the competition data. So yeah it is quite a different market and we are learning every day and that is why we are implementing the right strategy that is needed to enter the market. And it is slowly and certainly paying us off. We are setting up our footprints with our depot in Ahmedabad and Virar depot in Mumbai and the retail network is increasing with almost 25-25 active dealers in Ahmedabad, Surat and Mumbai each. So for a total 75 we expect that the numbers should now

multiply quite fast and the number of retailers should also increase in the coming months.

Vijay Chauhan: And any branding, like change or like marketing expense we are increasing, so any strategy change that we are doing on branding and marketing side. Because now we are moving to become a national brand versus geography specific. So any change in the marketing strategy or something?

Apoorv Agarwal: So obviously the plans, especially for related to marketing, are quite aggressive. We have changed the brand perception and we have come up with a new tagline called "Your Italian Autograph". So we are already reaching out to the consumer and all the influencers through 360 degree marketing platforms, including OTT, which we expect to happen from Q4, because we still are in finalization of certain distributors in the area like Chennai like a couple of areas in Kerala also in Kolkata. Though we have signed up very good distributors in Telangana and Karnataka, we are on the verge of completing our distribution footprint by Q3, which will allow us to confidently get into the 360 degree marketing. So Q4 marketing spend would increase but we are quite sure that we will be able to balance it out with the cost reduction by resin plant coming in by more products being manufactured in India, which we are currently encoding. So this will allow us to freely increase the marketing spend without compromising very strongly on the margins.

Vijay Chauhan: And this quarter we had a very solid EBITDA margin of around 26.3%. So in the steady state margin or like what is the normalized margin that we look for a long term basis like a particular range. I'm not looking for any like figure, number.

Apoorv Agarwal: Going forward the sustainable margins, EBITDA margins that we see is anything between 24% to 26%, keeping in mind that we are going to

increase our marketing spend from Q4. Considering that we are now available on a national level and we want to be a national brand, that is why all the efforts that we have put in last two years is related to completing the productivity and increasing the distribution step-by-step has started paying us. Open with this with this marketing spend and with the learnings of the other brands in the market we expect that maybe for two quarters the EBITDA margins might get a little on the lower side when the expenses on the marketing front increases deliberately, but at the end of the day, as I mentioned that it will be majorly contributed and balanced by the cost reductions that is happening with the resin plant coming in, with certain products being manufactured and with these advantages we will be able to neutralize and long sustainable EBITDA margin is anything above 23% what I can say.

Vijay Chauhan: And from the resin plant, any improvement in margin in terms of like percentage. Have we like finalize or is it too soon to mention, like maybe 1% can we expect on the gross margin side?

Apoorv Agarwal: The gross margin side, see we the resins contribute to almost 40% of the product formula and currently we have started with NC and melamine resins production which is still in quantity on the lower side. Now we are moving towards the PU once the product life is being tested because the testing cycle for these resins has to be respected as per the Italian norms, because it is monitored by our Italian counterparts, so we expect that very soon we will start with the PU resins also. But yeah, it will. Since 40% is the contribution, we will reduce almost by 7% to 10%. So the total percentage benefit that we will have will be between 3% to 5%.

Moderator: We have our next question from the line of Aakash Javeri from Perpetual Investment Advisors. Please go ahead.

Aakash Javeri: Sorry. I joined the call a little late so in case my questions are a little repetitive, apologies for that. My first question is that do we increase our team strength by 100 in one quarter because the last quarter presentation said 395 is our team strength. So have we increased our team by 25%? Or if you could just throw some light on that?

Apoorv Agarwal: So the team expansion is happening on all fronts. It is happening on the sales side and also on the back end and the plant side. So with the new resin plan coming in, we have new people, including chemist, joining for the for the resin area we have entered into the new distribution and new territories like not again very strongly, so the sales team in the South and Gujarat, Maharashtra are getting on board very aggressively. So yes on the manpower side, on the team personal side we have added a lot of new people in all the departments.

Aakash Javeri: And my next question is that we see some improvement in the working capital cycle. So do we see any further improvement or would this be sustainable over a period of time?

Apoorv Agarwal: No, in H2 we are expecting a lot of reduction in the working capital cycle. In H1, especially on the stock side we were very high because of the seasonal problems that we face from Italy. Like in August they remain closed and we have to order stock in advance in order to be safe enough to have enough material for Q3, and secondly because of the Russia Ukraine thing because of the gas problem they were expecting that they might hold their plants for some time. So keeping in mind all the information that we had from Sirca Italy, we had to stock a bit more. So H1 shows a very steep increase in the inventory side, which will be quite controlled in H2 so altogether in H2 we will see a better performance on the working capital side.

Aakash Javeri: Also, if you. Could just throw some light on the revenue split between Italian PU, UNICO and paints in H1.

Apoorv Agarwal: Almost 67% of the contribution was coming from the Italian PU, other 25% was coming from UNICO and the thinner, and rest was coming from the wall paint, San Marco and our wood filler range.

Aakash Javeri: OK, and also if you could update about the export markets like Nepal, Bangladesh, Sri Lanka and Dubai.

Apoorv Agarwal: So Nepal touchwood is starting to move on a positive momentum. We had good consignments going in currently like full container loads and it is up the momentum quite well with our distributors Reliance Paints. In Bangladesh, we are yet to sign up with the distributor. In Sri Lanka we have started some movement with a couple of OEM's coming through our local distributor. Provide them there though the retail sale with him has not begun big considering all the disturbance that Sri Lanka had in past but the OEM business is going on. We exported about 15-16-20 thousand dollars in the last couple of months. But, we are expecting that within this financial year, Sri Lanka and Nepal would start performing regularly in terms of export and Bangladesh we expect that we will close the distributor within this financial year.

Aakash Javeri: OK, and also if you could talk about the progress on the 1st consignment of hot melt glue and how it has been received by the OEM's.

Apoorv Agarwal: The fewer samples that came, the results were related to the hot melt glue, especially with customers like Godrej and people who are waiting for IKEA is excellent. And now we will enter with this specialized glue very soon in the market, especially with the OEM. But on the other hand with this product moving in, we are more excited for our second step, which is the white glue which we intend to produce here in India

only. So though we have delayed our projects, but as rightly said that the wood coating market is becoming quite aggressive. You see a lot of happening in the wood coating a lot of non-paint players are also entering this segment. So we are seeing a lot of happening and we are putting all our energy concentration on the wood coating by increasing our distribution as this product is becoming primary rather than secondary. So we see that in the next couple of quarters the momentum towards the glue wood also starts happening.

Aakash Javeri: Also, would white glue be our retail product?

Apoorv Agarwal: white glue we will enter in retail with the margin strategy margin to the retailer strategy.

Aakash Javeri: OK, and the next question is that if you plan to manufacture shift Italian products here in India, does it open opportunities for exports or two other markets due to the war. Like any new markets or new opportunities for the company.

Apoorv Agarwal: So we were exploring this with this separately already during our last couple of visits. Also recently we discussed this, though it is a complicated structure. But once it started, I think we will find a way to export to certain other countries besides Sri Lanka, Nepal and Bangladesh.

Aakash Javeri: OK, and just my last question was if you could talk about the year-on-year change in all the segments like Italian PU or UNICO.

Apoorv Agarwal: So in terms of Italian, we are up by almost 10%-12%. But on the UNICO front it is more than 30%.

Aakash Javeri: And on wall paints

Apoorv Agarwal: Wall paints are almost at the same level. It's not shown any growth.

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

Vijay Chauhan: So like any update on the contract manufacturing side like when it was mentioned a couple of quarters back so any opportunity that we are finding in the contract manufacturing side or not?

Apoorv Agarwal: To be frank, we have not explored the contract manufacturing area. Currently, all the manufacturing that we are doing is for our own brand for the Indian and the export market, but we have not explored that particular vertical.

Vijay Chauhan: And there was some mention regarding the stake increased by the Sirca Italy side. Any update on that?

Apoorv Agarwal: So Sirca Italy stakes discussion is still going on, where during our last couple of visits as I mentioned when I was answering the last question that we have made them for the sort of things, and with this we are starting to produce six of the products in India. So considering all the unrest that is happening in Europe related to the Ukraine thing and with the gas war it was a bit on delay. I hope once we start manufacturing the six products that are manufactured in Italy. In India, which will happen in less than a month now that we expect then this old discussion would come to a conclusion, so I hope it should happen within this financial year.

Vijay Chauhan: And lastly on like we are eating now, all time high, quarterly revenue and profit. So any target that we are internally keeping in the next couple of years like what should be our annual top line FY25 or maybe FY 26.

Apoorv Agarwal: So we are planning to grow at least by 25% to 30% annual CAGR, so we keep to be conservative. So keeping in mind all the happenings that are

happening in the wood coating market there is a lot of increase in the demand side and parallelly we are coming out as a national pair. We are increasing our distribution so we still believe that these numbers are conservative. But yeah, we are quite aggressive that we will grow at a decent percentage for the next three to five years for sure.

Moderator: Thank you ladies and gentlemen. We have our next question from the line of Rakesh Pal from Peace, Wealth Capital. Please go ahead.

Rakesh Pal: I have one more question. May I know the revenue split in as per region wise? Like how much is the revenue cost from NE SW like that.

Apoorv Agarwal: So if we talk about the revenue split still almost 60% is coming from the northern part of India which contributes Delhi, Punjab, Haryana, UP, UK and Uttarakhand including the retail and the OEMs and almost 25% is coming from the Maharashtra which includes the OEMs and rest is coming from the southern part of India and East. East is still the least contributor when it comes to our revenue contribution.

Rakesh Pal: And Sir, in terms of growth, which part of India is contributing more towards our growth?

Apoorv Agarwal: So for the growth all the parts are contributing. In fact, the north is also contributing because we are entering into the new retailers, we are entering with the new product and since we are present here strong, we get the results very fast. But on the other hand, Gujarat and Maharashtra, especially the metro cities like Ahmedabad, Surat and Mumbai they are the two tier cities and the upcoming Townshend. Or they are quite aggressively now starting to contribute to the growth in the revenue, so we expect that in H2, especially the Karnataka, Telangana, Maharashtra and Gujarat, these four will be contributing quite a decent numbers to the retail sales and on the other hand North will be still the most growth provider. Keeping in mind that we are

strong here we have a strong brand presence and we are increasing our dealer footprint with the newer range of the products.

Rakesh Pal: And Sir, as you can see spoke that they like, there might be some problem in production in Italy due to this Russia and Ukraine war, so can we expect any problem regarding that, like some unavailability of paints in the second-half? Is there any chance like that?

Apoorv Agarwal: So as per the instructions of Sirca Italy we have stocked ourselves quite well. We are secured when it comes to the Italian product stocks till February end. So the problem that could happen is in the month of December in January when they face a lot of extreme winters. And with the gas problem there, there might be notification, where industries might have to shut because they cannot use gas as they have to prefer the residences first. So keeping in mind the world's position also we are quite secured with the products for now if I give you an update they are still operating and we are still accepting the orders till 15th of December so means that the consignment that will leave by 15th of December will ensure us that we have enough stock till March and April, so we feel quite secured in terms of the stocks from Italy and this problem also is only for the winters, then this gas shortage might happen and they might have to shut.

Moderator: Thank you. We have our next question from the line of Hemant Shah from Asian Market Securities. Please go ahead.

Hemant Shah: For FY23, what could be the revenue contribution from UNICO products, Sir?

Apoorv Agarwal: From FY23 total contribution from UNICO range of products, including the thinner will be around 35%.

Moderator Thank you. We have our next question from the line of Aditya Mehta from GK Capital. Please go ahead.

Aditya Mehta: So Sir, just want your views about a variation in the guidance. So earlier we were guiding about 50% to 60% growth per year for the next four to five years. And moreover, on the dealer edition side in Q4, our guidance was that we've had around 150 to 200 dealers per month, which has now changed to 2000 dealers overall by end of FY 23. So just wanted to understand what caused this change in the guidance.

Apoorv Agarwal: See when it comes to the dealer edition, as I told you that we have added almost around 300 dealers in Q2 and we expect that another 300 plus dealers are going to add in the next couple of quarters. The numbers will remain almost in line with what we expected. Since that we are going out to start the retailer wherein we are starting to work with reasonable numbers. So for example in Kerala initially we added almost 100 odd dealers out of which a lot of dealers became inactive or with a very less sale of 6 liters. Currently we are coming out with them. Policy wherein each dealer contributes a minimum of ₹50,000 of sale, so a slight change in terms of financial agreement with the retailer is coming out with a yearly billing of minimum 6 lakh, so that is by keeping in mind we are quite confident that every two quarter 100 to 150 retailers still will be added. So we expect that monthly above 50 to 60 dealers will be added which will be actively working with us with the policy of minimum 50,000 billing a month, which includes UNICO, Italian PU. So with these numbers we expect that we will be able to add to our revenue the actual numbers that we expect in H2, which shows a decent growth compared to H1. Related to the revenue growth as I mentioned in my previous statement also that with the conservative approach, we are expecting a minimum of 25% to 30% CAGR growth which we mentioned that aggressively. We are expecting a 40% CAGR

growth every year. Considering the external environment sectors, everything, we currently if we talk about we are quite excited and we see the wood coating market going aggressively with our distribution increasing very aggressively with UNICO products coming in and picking it up very fast in the new directory with six products of Italy coming in. We started manufacturing in India in the coming months, so we expect that the momentum will pick up and we will shift our gears and will move towards a very aggressive growth. But to be on the conservative side, we mentioned the numbers to be 25%-30%, but we expect that we will grow at a very aggressive rate of above 40% if we talk about the CAGR growth.

Aditya Mehta: So next year we are targeting full utilization further or new capacity which we have been commissioned.

Apoorv Agarwal: We are expecting it to be above 210-220 crore revenue from the facility.

Aditya Mehta: So going ahead, we might need some more capacities in order to achieve this growth rate target, which we have set for ourselves. So what are the Capex plans for further years?

Apoorv Agarwal: So we have already planned to increase capacity in our existing plant by adding six fully automated 3 tons mixtures where the Capex will be about 3 to 4 odd crores. Since currently we have a 1500 liter tank now we'll be moving to 3 ton tank. For the further we will be adding six more times, which will add almost 18,000 liters in a single shift every day, increasing in the production side. Beside this for sure, as I told you, the Coimbatore plant which is still on hold, will aggressively being taken up in the next couple of months so we will come out with the increase in new capacity in the Coimbatore in the South part of India, so another about 5 to 8 odd crore Capex plan there. So altogether about 12 crore

Capex plan in terms of increasing the production of UNICO and Italian PU we plan in next one year.

Aditya Mehta: And sir regarding our Italian products which will be manufacturing over here. So these will manufacture along the UNICO range of products with the same raising capacity that we have commissioned.

Apoorv Agarwal: So this will be the parallel range product. The UNICO range will go as it is and this will be the newer range. The resins that we are using in the UNICO are different and for the Italian the resins will be altogether different. This will not be the same.

Aditya Mehta: And this will happen, increasing the margin in those products. Am I right?

Apoorv Agarwal: Absolutely 100%

Aditya Mehta: OK, and so my last question regarding other financial assets has increased from 1.27 crores to 24 crores. So what was the main reason behind this?

Apoorv Agarwal: that is majorly the short term liquid funds. We have invested a part in the liquid fund.

Aditya Mehta: And going ahead of Capex, which we have plans but it will be funded from internal approvals.

Apoorv Agarwal: Yes.

Moderator: Thank you as there are no further questions, I now hand over the call to Mr. Sayam Pokharna. Please go ahead, Sir.

Sayam Pokharna: Thanks a lot for joining in. That's it from the side of Sirca Paints India limited. If there are any other unanswered queries, please feel free to

reach out to us. Our contact details have been mentioned on the back of the investor presentation. Thanks a lot.

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.