



“Sirca Paints India Limited
Q4 FY '25 Earnings Conference Call”
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**MANAGEMENT: MR. SANJAY AGARWAL – CHAIRMAN AND MANAGING
DIRECTOR – SIRCA PAINTS INDIA LIMITED
MR. APOORV AGARWAL – JOINT MANAGING
DIRECTOR – SIRCA PAINTS INDIA LIMITED
MS. SHALLU ARORA – CHIEF FINANCIAL OFFICER –
SIRCA PAINTS INDIA LIMITED
MR. HIRA KUMAR – COMPANY SECRETARY – SIRCA
PAINTS INDIA LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to Sirca Paints Limited Q4 FY '25 Earnings Conference Call hosted by Dalal & Broacha. As a reminder, all participant lines will be in the listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Nilay Dalal. Thank you, and over to you, Mr. Dalal.

Nilay Dalal: Thank you, Michelle. Good evening, everyone. Thank you for joining us today to discuss Q4 and full year FY '25 earnings of Sirca Paints India Limited, hosted by Dalal & Broacha. During the call, the management will be referring to the presentation and financial results, which are available on the stock exchanges as well as the investor web page.

From the management team, we have with us Mr. Sanjay Agarwal, Chairman and MD; Mr. Apoorv Agarwal, Joint Managing Director; Ms. Shallu Arora, CFO; and Mr. Hira Kumar, Company Secretary. Let me now hand it over to Ms. Shallu Arora to take you through the key financial highlights. Over to you, ma'am.

Shallu Arora: Thank you so much. Hi. Good evening, everyone. I'm pleased to share with you the financial performance of Sirca Paints India Limited for the fourth quarter of FY '24-'25 and financial year 2024 and '25. Revenue from operations increased to INR101.1 crores in Q4 FY '25 from INR82.63 crores in the same quarter last year. This represents a robust growth of 22.4% Y-o-Y. This strong performance was primarily driven by the better product mix and a strategic focus on high-value product sales.

Moving on to our profitability metrics for the quarter. EBITDA for Q4 FY '25 increased to INR18.97 crores from INR16.25 crores in the same quarter last year, reflecting a healthy growth of 16.8% year-on-year. Our EBITDA margin for the quarter stood at 18.77% compared to 19.66% in Q4 FY '24. This slight decline in margin was primarily due to heightened competition in the market, which led us to introduce more schemes and discounts to support our sales growth. While this impacted margins, it was a strategic move to maintain our market share and drive top line expansion.

Looking at the bottom line, profit after tax increased to INR14.16 crores this quarter from INR12.51 crores in Q4 FY '24. This represents a 13.1% year-on-year growth in PAT. On a full year basis, Sirca recorded a top line of INR374 crores, reflecting the growth of 20% Y-o-Y. EBITDA declined by 2%, and PAT at INR49 crores was down by 4% on a Y-o-Y basis.

Let me now hand it over to Mr. Apoorv Agarwal, Joint Managing Director for his comment and future outlook. Thank you.

Apoorv Agarwal: Thank you, Shallu, and a very warm welcome to everyone. I would like to start the call by highlighting the strategic acquisition of Wembley. In March 2025, we completed the acquisition of the iconic Wembley brand including all business operations from Wembley Paint &

Chemicals and Indo Wembley Paint Private Limited. This acquisition adds a reputed range of products, sanding sealer, lacquers, enamels, NC paint, melamine and more to our portfolio.

Wembley, established in 1961, is renowned for its high recall sanding sealers and lacquers and brings with it a strong brand legacy and loyal customer base. With Wembley in the stable, we are optimizing operational matrices and unlocking significant growth opportunities across India. Notwithstanding, our core competency remains premium Italian wood coatings under the Sirca brand of Italy.

Let me dwell on the future outlook. Despite near-term headwinds, we remain confident in our medium- to long-term growth prospects. The outlook for FY '26 and beyond is optimistic, supported by favorable macroeconomic trends and strategic initiatives. Compared to last year, the current business environment is expected to be more stable. India's economic growth trajectory remains strong relative to global peers. Initiatives such as income tax reductions are expected to increase disposable income and stimulate consumption.

This acquisition of brand Wembley is enhancing our pan-India distribution with focused dealer onboarding and channel expansion. We are entering the value segment of the market with a comprehensive product offering aimed at capturing additional market share and addressing the industrial demand.

Further investments are being made for Wembley to streamline the production processes, expand the capacity and reduce the turnaround time. With the onboarding of ONEDIGITAL, a specialist marketing agency in the architect and interior design space, we are deepening our engagement with design professionals and enhancing brand visibility through integrated marketing campaign. Our advanced development of ultra-premium wall paint products in collaboration with OIKOS Italy is near launch, opening opportunities in the luxury home decor space.

We continue our aggressive push into emerging markets, such as Madhya Pradesh, Chhattisgarh, Northeast and South India through localized marketing and dealer activations and by onboarding of senior workforce. We are securing new OEM partnerships in modular furniture and door manufacturing, strengthening our position in the B2B ecosystem. Additionally, lower crude prices and a positive economic outlook, thanks to a normal monsoon forecast and supportive government policies, it would further boost demand in the coming quarters.

And now I would like to hand over the call to the moderator for the Q&A session. Thank you.

Moderator:

The first question is from the line of Shubanu Bungle, a solo investor.

Shubanu Bungle:

Sir, I am saying that after your acquisition, your EBITDA margin will go down going forward if the percentage of your business increases. And if your current EBITDA margin goes down, then your ROE and ROC will both go down. What are your thoughts on this? Going forward?

Apoorv Agarwal:

See, our gross margins are around 51% in our core business. And in the new acquisition, it is less than 51%. It is around 36%-37%. But if we talk about the final EBITDA that we have acquired and against our expenses, and when it is being combined in the distribution network of Sirca and in the ecosystem of Sirca, then our final EBITDA is not getting impacted in a very big

way. And we are completely focused on the growth of our core business, which is PU Paint. So, in long term, we are not seeing any big downfall in the combined EBITDA.

- Shubanu Bungle:** What is the EBITDA margin of the new acquisition?
- Apoorv Agarwal:** Assume that the EBITDA margin of the new acquisition is 17% to 18%.
- Shubanu Bungle:** 17% to 18%?
- Apoorv Agarwal:** Yes.
- Shubanu Bungle:** Can you tell me about the growth in FY25?
- Apoorv Agarwal:** FY '25?
- Shubanu Bungle:** Wembley growth, year-on-year growth?
- Apoorv Agarwal:** New acquisition?
- Shubanu Bungle:** Yes, new business, acquired in Q4?
- Apoorv Agarwal:** The new business which was acquired of Wembley almost 25% growth we are expect in this financial year.
- Subhanu Bangal:** Okay. Total -- our console business, total. FY '26 console business what is the guidance?
- Apoorv Agarwal:** Consolidated growth which we have expectation that is around 25% to 30%.
- Subhanu Bangal:** How much sorry?
- Apoorv Agarwal:** 25% to 30%.
- Subhanu Bangal:** And EBITDA margin what is the guidance?
- Apoorv Agarwal:** EBITDA margins in long term for whole financial year EBITDA margins we are expecting 18 to 20.
- Subhanu Bangal:** 18% to 20%. Okay. Thank you.
- Moderator:** Thank you. The next question is from the line of Nilay Dalal from Dalal & Broacha. Please go ahead.
- Nilay Dalal:** Michelle, I'll take the question later on. We have a queue.
- Moderator:** Okay. Thank you. The next question is from the line of Srikanth K N, an Individual Investor. Please go ahead.
- Srikanth K N:** Sir, could you talk about the competitive landscape today in the paints?
- Moderator:** Excuse me sir. Sir your audio is low. Can you increase the volume a little bit.

- Srikanth K N:** Yes, you are able to hear me now.
- Moderator:** Yes, sir. Please proceed.
- Srikanth K N:** Sir could you talk about the competitive landscape today in the paint industry, especially we have seen that many new competitors have come into this field in the last 2 to 3 years. So how has this changed? And how is Sirca Paints positioned within this heightened competition?
- Apoorv Agarwal:** So last year, with the entry of new players in the market, we have seen some heightened competition, no doubt. And that is why as you see that we have highlighted in our call that the scheme payout during last couple of quarters has increased. But luckily for us, as Sirca Paints, the new entrants main focus remains decorative.
- Though the immediate main players and the competitors to the new entrants are offering a combined scheme, including the decorative and the wood coating products to attract the customers. But it seems that the competition going forward in the decorative segment is still expected to be quite competitive and it still is expected to remain on the higher side.
- But on the wood coating side, where the focus of the new entrants is still limited, it should get - - the scheme payout should get a little lighter. So going forward, we expect that in our core offering of wood coating products, the margins should improve going forward.
- Srikanth K N:** Sir, just a follow-up like among the decorative and the wood coating, what would be the revenue mix that you get?
- Apoorv Agarwal:** So currently, 85% of our revenue is coming from our core polyurethane business, the wood coating business under the brand Sirca and decorative along -- decorative contributes to only 5% -- no, 7% of our total sales, which also includes the Oikos sales, the premium that's a paint products. The rest was contributed by the brand Welcome. So yes, decorative is almost negligible percentage of our revenue.
- Srikanth K N:** That's helpful. And lastly, sir, like all these right now, we are in a good macro price, but it is subject to geopolitical tensions and volatility as well. To what extent the price of oil affects your margin positively and negatively like is there any kind of hedging that Sirca does to avoid the negative part of it?
- Apoorv Agarwal:** Sorry, a couple of -- I missed a couple of your words. So can you repeat the question? Your voice was not very clear.
- Srikanth KN:** Yes. To what extent the volatility in oil affects your margin? That's what I wanted to know.
- Apoorv Agarwal:** Yes. So crude oil is directly related to solvent, and solvent contributes to almost 40% of our raw material. So there is a considerable effect of crude. But positively and currently, we are seeing a downside in the crude oil prices, which is helping us to recover some margins in the short term. And going forward also, we expect that -- I mean, the trend according to the current situation seems that this is not going to impact the margins strongly in the near future.

- Srikanth KN:** Thank you very much for answering my questions.
- Moderator:** We take the next question from the line of Hitesh Gangwani, an individual investor. Please go ahead.
- Hitesh Gangwani:** My question is, sir, around three years, five years down the line, where do you see your company achieving as like INR200 crores sales quarterly? What is your vision for the company 5 years down the line? I know there is a pressure from the premium wood coating market as various other entities have come. But now you have acquired Wembley also and Sirca Paints is also doing good. So where do you see five years down the line for Sirca Paints?
- Apoorv Agarwal:** See, going forward, the company expects a CAGR growth of about 25% to 30%. So down the line five years, we will be reporting revenues in four digits.
- Hitesh Gangwani:** Okay sir. Thank you.
- Moderator:** We'll take the next question from the line of Prashant an individual investor. Please go ahead.
- Prashant:** My question is already answered. Thank you.
- Moderator:** The next question is from the line of Prav from Sincere Syndication. Please go ahead.
- Prav:** Sir, my question is on the Welcome Brand side. So when we initially acquired Welcome Brand, we said that the company was making sales of INR50 crores with EBITDA margins of 14%. Can you give us the split for the current year on our revenue? How much Welcome has contributed? And what is the guidance on Welcome say going forward? Sir, how we are looking to take Welcome Brand in terms of both revenue or in terms of margins?
- Apoorv Agarwal:** See, Welcome nine-month sales stood at around INR35 crores. And if we were to analyze, this comes to almost INR47 crores, which is more or less same as the last year. There has been some transitional delays of complete amalgamation with Sirca's operation which has now been fully resolved. And in the current year, we expect a growth of about 20%. When we talk about the margin, the margins are more or less the same where we had an EBITDA of 15% in the sale of INR35 crores. But going forward, as the crude prices have softened and the solvents have gone down, we are expecting the EBITDA in Welcome to get better this year.
- Prav:** Sir, initially when we did this acquisition, we saw this to be a doubler within a year in terms of revenue. So what changed in the due course that now we are guiding it to be a 20% growth in the upcoming years, sir?
- Apoorv Agarwal:** So our recent acquisition, which was of the brand Wembley, we have also launched a new thinner brand under the Wembley brand called Welcoat to counter and increase the sales of the total product reducer, which was sold under the Welcome Brand. So, we are expecting about INR20-odd crores sales of thinners and reducers from the brand Welcoat also. So actually, we are splitting our sales into two brands, Welcome and Welcoat. If we combine the sales of both, we will be doing a growth of about 50%.

- Prav:** Okay. Okay. Sir, if my understanding is right, you are seeing the growth on top of 50 or on top of 35, sir?
- Apoorv Agarwal:** On top of 50.
- Prav:** Okay, okay. So on top of 50, 20% we can expect from the Welcome Brand and 20% from the new brand which we are acquired.
- Apoorv Agarwal:** Welcoat. Yes, which will be selling the same reducer products because INR35 crores was the sale of about 8.5, 9 months because we started our operations from June.
- Prav:** So if we see from our current base, so this translates to nearly a doubling from the INR35 crores level. So what would be the organic growth in our existing business, which we are confident this year, sir?
- Apoorv Agarwal:** So in our main Sirca business, we are expecting a growth of about 18% to 20%, and together with the Wembley and the Welcome sales, which will be also added to the revenue this year, we are expecting a combined growth of about 30%, 32% this year.
- Prav:** Sir, if I can add on, what would be the sales percentage exposure towards Delhi as a market for the whole year?
- Apoorv Agarwal:** So Delhi will be contributing almost 40%, 45% of our sales, Delhi and NCR.
- Prav:** Sir, out of this period, did we have any place where construction was banned where we could not supply to Delhi market?
- Apoorv Agarwal:** Yes. So the months of Jan -- the whole month of January was quite impacted in the Delhi NCR region because of the environmental problems and the Graph 4 and 5. So that was a factor that our margins also were not able to recover to what we expected in the quarter 4, though there was a slight recovery quarter-on-quarter, but not up to our expectations.
- Prav:** Okay. Sir, going forward in terms of the sales mix, what would be the sales mix in terms of Delhi versus other regions? And the new brands, which we have, including Welcome and the other one, where their major exposure would be, sir, in terms of location, region?
- Apoorv Agarwal:** Sorry, I skipped a couple of your words initially. Can you repeat?
- Prav:** Yes, sir. In terms of like times ahead, what will be our location mix in terms of Delhi versus other markets? And in the new products that we have right now on the Welcome side and also the recent acquisition on Wembley side, would there be the location bias towards Delhi in the new products also or that could be having different locations to say?
- Apoorv Agarwal:** Okay. So in the short to medium term, we are expecting 70% of our revenues to come from the northern part of India, which is not only Delhi NCR, but also UP, Haryana, Rajasthan, Punjab, J&K, Himachal and also Rajasthan, which comes under our northern part. And then as mentioned during my remarks, we are also strongly entering the Madhya Pradesh, Chhattisgarh,

means the Central India and the South -- southern part of India, where we have taken some senior workforces also.

So these states will -- are expected to grow in the medium to long term from now. And so we are expecting that 30% of our sales will come from the rest of India. So North India still remains high in terms of percentage revenue contribution.

Prav: Sir, in terms of exports, we had certain export opportunities other than neighboring countries. So like could you speak about our export opportunities going forward, which we are going to use the brand name Sirca and the regions which we are going to take?

Apoorv Agarwal: So actually, we are no more looking to export out of India, except Nepal and Sri Lanka due to unfavorable geopolitical situations and due to the fact that the Indian economic landscape has been more improving quite significantly post GDP outlook for FY '26 and favorable government fiscal policies, which are directed towards increasing consumption.

And we've also further visualized volume to pick up as agri economy of India is expected to grow faster due to normal rain forecast by IMD and -- so our focus remains more towards India and immediate neighboring countries like Nepal and Sri Lanka for now.

Moderator: We'll take the next question from the line of Nilay Dalal from Dalal & Broacha.

Nilay Dalal: Sir, just wanted to ask in the 20%, 25% kind of growth which we are expecting next year, what is the kind of volume growth in that we would be looking at? Plus because in the current year also, we have taken some kind of a margin miss to maintain the market shares. So how do you see the outlook on volumes in specific and margins in the next year?

Apoorv Agarwal: See, considering Wembley and Welcome brands on board and the product line are under these brands are for masses and the per liter realization is less, we are expecting the volume growth to be around 38%, 40% against a 25%, 30% increase in the revenues. For sure, this year, the margins were a little on the downside due to increased competition and environmental factors and heightened competition, the schemes going up.

But this year, it looks more promising when it comes to the margins, the reason being that the crude oil prices have softened, so which are helping us to increase some gross margins. And also, we are exploring to manufacture more of Italian range of products in India for which we are already in talks with our esteem management of Sirca Italy, which will help us to have better margins and negate the effects of currency, et cetera. So this year looks more promising in terms of the margin side as well.

Moderator: We'll take the next question from the line of Subhanu Bangal, a SOLO Investor.

Subhanu Bangal: As on FY '25, how much of the sales come from export, sales mix?

Apoorv Agarwal: No. So currently, the revenue contribution from exports is negligible. About INR2 crores sale was done in exports only from Nepal.

Subhanu Bangal: Yes. And margins?

Apoorv Agarwal: The margins are -- the gross margins were about 30% there.

Moderator: Ladies and gentlemen, as there are no further questions, I would now like to hand the conference over to the management for closing comments. Thank you, and over to you, sir.

Apoorv Agarwal: So, thank you all for joining today and for your continued trust and support. We remain confident in our strategy and committed to delivering long-term value. We look forward to keeping you updated on our progress in the quarters ahead. Thank you.

Moderator: Thank you, members of the management. Ladies and gentlemen, on behalf of Dalal & Broacha that concludes this conference. We thank you for joining us, and you may now disconnect your lines. Thank you.