



June 06, 2023

BSE Limited
Corporate Relationship Department,
1st Floor, New Trading Ring,
Rotunda Building, P.J. Towers,
Dalal Street, Fort, Mumbai - 400 001
BSE Scrip Code: 509874

National Stock Exchange of India Ltd
Exchange Plaza, 5th Floor,
Plot No. C/1, G- Block
Bandra Kurla Complex, Bandra (E),
Mumbai – 400051
NSE Symbol : SHALPAINTS

Sub: Transcript of Earnings call with investors and analysts held on May 30, 2023

Dear Sir/Madam,

This is in furtherance to our letter dated May 25, 2023 w.r.t. Q4 & FY23 Earnings Call intimation for the financial results with the investors and analysts.

Pursuant to the provisions of Regulation 30 read with Schedule III of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed herewith the transcript of the above said Earnings Call held with the investors and analysts on May 30, 2023 at 03:30 p.m. on the financial results of the Company for the Q4 & FY23.

The said transcript is also available on the Company's website at the link: <https://www.shalimarpaints.com/investors-relations/earnings-presentation>.

You are requested to kindly take the above information on record.

Thanking you,

Yours faithfully,

For **Shalimar Paints Limited**

SHIKHA RASTOGI
Date: 2023.06.06
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Shikha Rastogi
Company Secretary

Encl.: as above



Shalimar Paints Ltd.

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“Shalimar Paints Limited
Q4 & FY’23 Earnings Conference Call”

May 30, 2023



MANAGEMENT: **MR. ASHOK KUMAR GUPTA - MANAGING DIRECTOR,
SHALIMAR PAINTS LIMITED**
**MR. MOHIT KUMAR DONTER - CHIEF FINANCIAL
OFFICER, SHALIMAR PAINTS LIMITED**
**MR. KULDIP RAINA - DIRECTOR – SALES, MARKETING
AND STRATEGIC SOURCING, SHALIMAR PAINTS
LIMITED**

ANALYST: **MR. RONAK JAIN - ORIENT CAPITAL**

Moderator: Ladies and Gentlemen, good day, and welcome to the Shalimar Paints Limited Q4 & FY '23 Earnings Conference Call. As a reminder, all participant lines will be in the listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero, on your touchstone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Ronak Jain from Orient Capital. Thank you, and over to you, Mr. Ronak.

Ronak Jain: Hello. A very good afternoon to you. Thank you, and welcome to the Q4 and FY '23 earnings conference call of Shalimar Paints Limited. Today on this call, we have Mr. Ashok Kumar Gupta, Managing Director, along with the senior management team. This conference call may contain forward-looking statements about the Company, which are based on the beliefs, opinions and expectations as of today. Actual results may differ materially. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict. A detailed Safe Harbor statement is given on page 2 of the company's investor presentation, which has been uploaded on the stock exchanges and company's website as well.

With this, I hand over the call to Mr. Ashok Kumar Gupta for his opening remarks. Over to you, Sir.

Ashok Kumar Gupta: Good morning, everyone. It's our pleasure to have a discussion with all of you regarding our results for the quarter 4 as well as the last financial year. My colleague Mohit is with me, who is the CFO of the Company. And I request him to just give a brief on our performance to you. And then I'll take over from him. Thank you.

Mohit Kumar Donter: Yes. Thank you very much, Sir. Good afternoon, everyone. First of all, I would like to thank everyone for your participation in Shalimar's growth journey. On Last Saturday, our Board has approved the quarterly as well as annual financial results of your Company. During the quarter and in full year, we have recorded a consistent growth, both in terms of volume as well as value. In quarter 4, we have recorded total income of INR 139 crores with a growth of 7% from the previous quarter and 29% from the last quarter same year. There are some adjustments of around INR 6.6 crores in the top line. Had it not been there, revenue would have been recorded at INR 145 crores for the quarter.

COGS, we have recorded at 72%, with a gross margin of 28%, which is an improvement of 2% from the previous quarter. EBITDA, we have recorded a net EBITDA of INR 2.65 crores. We have booked a loss of INR 9.62 crores before taxes for the quarter, and last year quarter it was INR 9.3 crores last year same quarter. In this EBITDA line, there are again some adjustments because of exceptional costs and revenue recognition policy. These total adjustments are to the tune of INR 6.5 crores. Had it not been there the EBITDA would have been better off by INR 5 crores and would have closed somewhere around INR 4 crores EBITDA for the quarter as a positive number.

In full financial year '22 - '23, we have recorded a turnover of INR 493 crores. Again, there is an adjustment of around INR 12 crores in the top line. We have closed our year with a growth of 36% in value and 15% in volume, which is higher than the industry or faster than the industry. Gross margin for the full year is 27% and COGS at 73% of net revenue. EBITDA for the year is negative INR 7.55 crores. If I avoid the adjustment, it would have been reduced by INR 5 crores and would be around INR 2.5 crores against INR 25 crores last year. Loss before taxes is on a full year INR 36 crores against the INR 61 crores last year. I think it's a significant improvement during the year.

And during the quarter, as I already mentioned, the Company had to book additional cost of INR 5 crores in various line items, wherein INR 4 crores is in cost of goods sold and the remaining is in other taxes, which do not pertain to the current quarter and year. Had these exceptional costs would not be there, gross margin would be better by 2% and EBITDA by INR 5 crores.

So with this, I'm handing over to Mr. Gupta. Thank you very much.

Ashok Kumar Gupta:

Good afternoon, and again, thank you, Mohit, for your opening remarks. So let me tell my friends that, we have followed a very aggressive strategy in this financial year '22- '23. As you know, Hella Infra gave us the funding sometime in March '22. And right from the word go, the strategy was aggressive. Aggressive when I say is that, let's try to gain market share. Let's try to grow aggressive, flow against the current, make investment, spend money, increase expenses. But end of the day, it's important that, we get more sales and more market share. We worked in this year towards that strategy. We started that strategy. And going forward, we will continue that in a much more aggressive manner.

So going forward, you will see expenses further going up, investments further going up, and the Company will continue to attempt to garner more and more market share. You would have observed that, Mohit was speaking about certain adjustments. So apart from an aggressive strategy for more market share, we also changed our auditor. So earlier, we had some auditor firm from Calcutta but with the new promoter coming in or a new investor coming in, as well as taking a more aggressive approach, we have taken GrantThornton as an auditor, GT as our auditor. And as you know, as and when any auditor comes on your stage, they try to kind of do their own working.

And always, there will be some new provisions that will be provided, which may not be there earlier. So accordingly, the new auditor try to put up some more provisions, we were to provide for eventualities, which may or may not happen, legal cases which were there 15 - 20 years old, stock adjustment, the adjustment on account of last year's sales. So there are many adjustments, which he requested, which we are bound to impact any year, when the auditor changes.

So those impacts are there and as Mohit was saying, if those were not there, then the result would have been on paper much better. I will give you a comparison with the industry. The industry has grown in this year by around on an average 18%-22%, which is the results of the top five

players. While our growth on a value basis is almost 40%. So again, the industry average of around 20% value growth, we had around 40% revenue growth.

Quarter wise also if we see, while the industry was growing hardly 10%-15%, our growth is around 35%. My colleague Kuldip, he will explain more about it. Similarly, on account of improvement in the margins, the cost of goods sold has increased for most of the players with respect to the previous year. In the financial year '22-'23, many cases it has increased by 4%-5%. In some cases it is the same, but we have been able to reduce our cost of goods sold by around 3%.

Again, aggressive expenses strategy, increase expense, increase capex, but improved efficiency. You will be surprised to see that most paint companies have a very constant cost of employees around 6%. Here again, while overall year basis, our employee cost as a percentage of revenue is marginally lower, in the last quarter, we again became aggressive and we increased our manpower. So, you will see a slight increase in the manpower cost in the last part of the year.

So all in all, we have been taking a very aggressive strategy, aggressive for increasing the volumes. Ultimately as you know, so many players are coming in the paint industry, so unless and until we increase our market share now, tomorrow it may be too late. If we do all these adjustments. I am happy to share with you that, we have worked out to the kind of a statement, P&L statement, after all the statements, all the adjustments, and if we do all the adjustments, it is possible that, we may be neither EBITDA positive or negative or minor negative. That means, we have been able to cover a long distance, whereas last year our EBITDA loss was around INR 28 crores, this year it is almost neutral.

So, which is a very big story, very big coverage. Again, if I see our industry, the improvement in EBITDA is not to be flagged. So I think on the whole, it was a good year for us in Shalimar. We are very happy with the things which have turned up, investments have come up, strategy is aggressive, results are coming in, sales have increased, almost double the rate of the competitors, we cannot ask for more. Thank you very much and we are now open for questions.

Moderator: Thank you very much. We will now begin the question and answer session. Our first question is from the line of Manan Poladia from MKP Securities. Please go ahead.

Manan Poladia: Hello sir, good afternoon. Yes, so sir, we have spoken earlier and you have given me certain guidance saying 25%-30% Sales CAGR for the next two - three years and congratulations on the great set of results delivered. You have delivered on your guidance, so that's fantastic. Sir, What I wanted to understand was from here going forward, since we have come to almost after adjustment, flat EBITDA levels, how do we get to the point, where we have a positive EBITDA? What changes are you making because I am guessing we are spending a lot more on advertising right?

Ashok Kumar Gupta: So if you see our Q4, it's almost positive EBITDA even if it is 2% or so. Already we have reached it. If our adjustments were not there, we would have been almost 2% positive EBITDA. This

should go up in this year significantly. You see, the whole game is now of volume. We are growing last year 40% and then this trend continues. Then, coming few days, coming few months, it's going to be all added, all the new revenue will be added to the EBITDA only, cost is already increased significantly.

Manan Poladia: Just one follow-up question on that, what would be our total capacity and utilization at the moment?

Ashok Kumar Gupta: Today, my capacity is sufficient to give me a turnover of almost INR 1200 crores to INR 1500 crores. And my utilization on country level is almost 50%.

Manan Poladia: Okay, sir. My second question is related to the water solubles in the industrial coating space that you are talking about. What I wanted to understand was, Sirca Paints is also launching their own water solubles brand for the kids furniture and that specific niche. So, I wanted to understand the competitive landscape in that space.

Ashok Kumar Gupta: Who is a better person than my colleague Kuldip to explain this?

Kuldip Raina: Thanks, sir. See, Sirca is altogether in a different landscape. They operate in a different area altogether. Sirca is, if you, I have to kind of put figures straight, 80% to 85% of wood coating industry. They import and sell. And now that they have launched some emulsions in the marketplace, so, see, essentially Sirca is known by, from the wood coating point of view. They don't have majority of shares in decorative space as such. Barring that, they have some of the dealers, who are common dealers for them, who sell decorative paints as well. So, I don't see any challenge from these kind of players because they operate in a different space altogether.

Manan Poladia: Yes, I think I understood. Thank you so much.

Moderator: Thank you. Our next question is from the line of Praful Siddharth from Shravas Capital. Please go ahead.

Praful Siddharth: Hello Sir. Yes, congrats on great set of numbers, sir. I just have a few questions. So, if you look at sequentially, right, other expenses have gone up from 16.4% on revenue to 21.1%. So, is this entire difference attributable to the cost adjustments, you made during the quarter?

Ashok Kumar Gupta: Yes, you are right. Actually, a lot of provisions have been added. In the other expenses, almost INR 4 crores worth of, these provisions are there. Primarily for sales tax cases and GST cases of prior years. So, all those provisions are there. If they were not there, our other expenses would have been perhaps lower by, I think INR 4 crores.

Praful Siddharth: Sure. And has this entirely been provided for this? This is a one-off expense, right?

Ashok Kumar Gupta: It's a one-off expense. Old cases, I think mostly sales tax, '13-'14, '14-'15. And it's not exactly expense. So, we have filed our return of '13-'14, '14-'15. And now, they have created a demand that, you have to pay so much money. Because, certain documents are not agreeing to whatever

summary has submitted. They say, some signatures are not proper or whatever. They are '13-'14, '14-'15. What do you do? You can't fight. You can't do anything about it. Just accept it now.

Praful Siddharth: Yes, sure. And how many dealers did we have in the month of April and May? And also, how was the growth momentum in these two months?

Ashok Kumar Gupta: A favorite subject of Kuldip. He will speak about it. Kuldip.

Kuldip Raina: Yes, so, see, as he had said in the last meeting also, that we are working to aggressively increase our footprints in the marketplace, be it regional, be it what it was in the existing markets. So, if I have to put a figure to this, last year, we have increased our distribution by 25%. So, roughly we have added some 1,500 to 1,600 new outlets, which have contributed actually 13% of our top line. So, it is augmenting well with our strategy of expansion and extraction, which we had also discussed last time. In terms of expansion, we are going to increase our footprints, and in terms of extraction, we are going to get better shop share from the existing outlets.

Praful Siddharth: Yes, so, Sir, what is the revenue contribution from the infra-market in this quarter? If I remember right, it was INR 5 crores to INR 6 crores in the last two quarters?

Kuldip Raina: So, it has contributed 1% to 1.5% of our overall revenue.

Praful Siddharth: So, when you say 1% to 1.5% of revenue, does this also include the sales routed through infra-market, or only the sales which are made to infra-market directly?

Kuldip Raina: Put together, all put together.

Praful Siddharth: All put together. Yes, so, that's my last question. So, what are the factors, which are driving the growth of the industrial paint segment, because I see significant volume growth when compared to decorative?

Kuldip Raina: Okay, so, if you look at, as was discussed by Mr. Gupta also, that our growth has been highest in the industry, this year. We are ahead of the industry by 20%, if you look at the industry this year, 19% to 20% has been the growth, whereas our growth has been in the tune of 40%. And as far as the emulsion saliency is concerned, this has happened on account of a greater demand for emulsion saliency, which we have increased by, which has gone roughly 6% to 7% notches up in terms of, we were at 52% to 53%, which has gone up to 62%. So, that has helped us to build better value sales as against volume sales.

Praful Siddharth: Great Sir, thank you. And will we continue the same growth momentum going forward?

Kuldip Raina: That's what we are continuing. Our target is to further get in line with the industry norms, which is roughly 68% to 70%. And also in the first quarter and only, we'll be able to touch that. And for that, we are having a product pipeline in place. We have got our focus, which is essentially on to water-based products and essentially on emulsions.

- Praful Siddharth:** Great, Sir. Thank you and all the best.
- Moderator:** Thank you. Our next question is from the line of Vaibhav, who is an individual investor. Please go ahead.
- Vaibhav:** Hi and thank you for taking my question. So, I have two questions. The first is, taking a cue from your opening comments about spending more to grow faster. How should we look at future profitability? So, if there were INR 100 crores of incremental revenues in the next year, what would be the percentage that would flow into EBITDA? So that's the first question. Thanks.
- Ashok Kumar Gupta:** So if you observe, our gross margin is in the range of 30%-32%. So one thing which has to happen now is, we increase volume and focus on emulsion. This amount has to increase to 33%-34%. Now, if I talk of increasing in the expense, so the increase in expenses, mostly in two ways. One is capex and one is in HR, which is people. Already our HR expenses are 11%-12%. I don't think it will go more than 11%-12% in any case.
- Going forward, it will continue to be around 11%. So that way, percentage-wise, our increased expenses will not go into our expense part of it. On the capex side, as you know, capex doesn't affect your EBITDA. So the entire increase in sales will be in EBITDA by way of gross margin minus your HR cost. So all that money is flowing in EBITDA, primarily.
- Vaibhav:** So, we should assume in the ballpark of, if INR 100 crores was incremental revenues, something like INR 30 crores-INR 35 crores should flow into EBITDA.
- Ashok Kumar Gupta:** No, it will not be more than 15%-20% because I said, 11% goes in HR cost itself and some costs will go in freight. So, it may be lower than that. Because our gross margin is 32%, some of it, in any case will be flowing to logistics and HR.
- Vaibhav:** Sir, next question was on the balance sheet. I'm just trying to understand. So there are two big components, which have led to the cash drag, as far as your cash flows is concerned and which has consequently affected, the net debt on the books. The first one is changes in working capital. Now, your working capital on a year-on-year basis has moved from somewhere around, two months to more than three months now. Right. Bulk of this is driven by receivables. So if you could shed some light on that.
- Second, there is this item called cash flow from investing activities, which is almost INR 84 crores. What is the nature of this cash flow? Could you explain that, please?
- Mohit Kumar Donter:** Okay. So if you see our inventories level, which has grown by around INR 20 crores, during the year, and our debtors have also grown by almost INR 30 crores. So majority of the working capital, which we have increased in these two line items. Apart from that, we have spent, we have increased our tinting machines, wherein we have done some capex parts. Apart from that, hygiene in our warehouses, we have, spent some good amount of money there for the hygiene. We have spent around INR 40 crores-INR 45 crores rupees during the year, in terms of working capital, as well as on legal side.

If we talk about the investment activities, there are some funds, which we received as a warrant from the investor. There is INR 37.5 crores. And the remaining is, FDs which have been shifted and are maturing tenure, coming into the investment.

Ashok Kumar Gupta: And you mentioned about increase in the receivables. But receivable days, I see is almost same as 80 days. I think this is different. 80 days only, is it?

Hardik Parikh: Actually, the investment has gone into, so if you notice our, considering the size of the Company has increased from INR 350 crores to INR 490 crores. So your investment working capital is there. Our receivable date has been broadly 80-81 days. Our inventory days, you know, historically it was very high. It was 130-140 days. In the FY '21, it was 140 days. In FY '22, it was 130 days. Now it has come down to 115 days. What we have done is, we have done some correction in papers because our papers, there was huge amount of stretch payment that has happened. So last year when you are comparing it with FY '22, March '22, there was huge stretch in payments to creditors, which we have regularized it because, we wanted to build long-term relationship with the vendors. So, we have now been in line with the industry.

Vaibhav: Okay. And to just correlate it, what is this other financial assets lying in your balance sheet? What does this comprise of? This must be some part of the warrant.

Mohit Kumar Donter: So these are, short-term FDs and the deposit from the dealers. Primarily fixed deposit.

Vaibhav: Yes. Right. So, if I have to take the net debt calculation for you guys, I say, so I will add cash-cash equivalent, bank balances and other financial assets, that's it?

Hardik Parikh: If you do the OCD part, which is INR 55 crores given to Hella, your outside debt will be around INR 37 crores-INR 38 crores and your fixed deposit is around INR 75 crores plus.

Vaibhav: Okay. Understood. I think for, just for sake of clarity for all investors, you might want to, put this up front because this kind of gets a little confusing. But it's clear now. Thank you so much.

Hardik Parikh: Very good suggestion. We will try to do it from the next quarter.

Vaibhav: You have to pass on that now that you're getting profitable.

Mohit Kumar Donter: That's right. Vaibhav, when full financials will be uploaded, you will find all the schedules in place there.

Vaibhav: All right. Thank you, sir. Thank you and good luck.

Mohit Kumar Donter: Thank you.

Moderator: Thank you. Our next question is from the line of Darshan Shah, who is an Individual investor. Please go ahead.

- Darshan Shah:** Thank you for this opportunity. So as mentioned in the previous call, that Infra Market has plans to open their own stores. There are materials will be showcased and that initiated some time back, I believe. So can you please give us some updates in terms of the number of new additions?
- Hardik Parikh:** So this is more from a branding perspective that Shalimar is trying to do for the stores and all. So, currently we have around five to six stores, which is being where, Shalimar stores are being there. That's an overall number perspective.
- Ashok Kumar Gupta:** So see, this is – there are a few stores of Hella Infra, where we are keeping Shalimar paints. As mentioned, this is more from branding part of it. These are retail stores. And there are even Hella Infra has just started those stores. So sales will pick up in due course of time. But slowly in those towns, where Hella has opened the stores and they're keeping our materials, the word is spreading around. I think to that extent it is helping us.
- Darshan Shah:** Okay, Sir and the plan going ahead, do you plan to accelerate the number of stores?
- Ashok Kumar Gupta:** Hella will increase the number of stores. We will only keep our material there.
- Darshan Shah:** Okay, sir. Okay. Thank you.
- Moderator:** Thank you. Our next question is from the line of Sahil Bajoria, who is an Individual investor. Please go ahead. Thank you.
- Sahil Bajoria:** Thank you for the opportunity. So, I have a couple of questions. How are we dividing the current production capacity between the decorative and industrial paint segment? And what steps are being taken to optimize and maximize our capacity utilization for both decorative and industrial paint?
- Ashok Kumar Gupta:** So, currently it's around 30% - 32% production happens for industrial and around 70% production happens for decorative. And so we are increasing our capacity utilization in all the plants, but mostly in Nashik and Chennai, where we had some spare capacity available with us. Capacity-wise, since there is no constraint, so we do not, such as have any problem. But yes, the impact is, as sales will increase, capacity utilization will automatically increase.
- Sahil Bajoria:** Okay. Also, could you provide more details on our expansion plan for increasing capacity in different regions? Which specific field locations are being targeted for capacity expansion? And are there any plans to explore feasibility in the East Zone as well?
- Ashok Kumar Gupta:** So we have three plants today, one in Sikandrabad in UP, the second in Nashik in Maharashtra, and third near Chennai in Tamil Nadu. Now we are only taking the Brownfield expansion to the extent that, the infrastructure is not there or the balancing facility is not there and automation should happen. All this will increase our capacity significantly. We are having large plans for that. But this investment which is being made is more by way of infrastructure and automation and not per se only for increasing the capacity, but as a resultant, the capacity will increase significantly.

We do not have an immediate plan for East Zone, not even next 3-4 months, because we are looking at more capacity utilization at the current plants and after the utilization is better, perhaps we will look at it. So maybe in due course of time, a couple of months, we will look at East Zone.

- Sahil Bajoria:** Okay, thank you.
- Moderator:** Thank you. The next question is from the line of Manan Poladia from MKP Securities. Please go ahead.
- Manan Poladia:** Hello, sir. So, sir, my question is based on, I have two questions. The first question is you spoke about capex, sir, but I can't see any changes in your gross block or in your cash flow statement. So I just wanted to understand, when you say capex, has it been passed through the P&L?
- Ashok Kumar Gupta:** No. So we have not yet taken the capex. We have only planned for it. We have done small capex. I will not say, we have not any capex, but it may be on the order of INR 5 crores to INR 10 crores only at this moment. But things have started. For example, the first thing which we are doing and which we think is the most important is R&D center.
- We plan expenses of INR 8 crores to INR 10 crores there. The construction has started. The actual investment, which might be there might be only INR 1 crores or INR 2 crores. And I am sure Mohit would have put it in capital work in progress, whatever INR 1 crores or INR 2 crores, might have gone. So you will not see it, gross block increasing. But you will see gross block increasing this year, not last year.
- Hardik Parikh:** So to summarize, we have invested around INR 11 crores till now. And the results we have shown in the cash flow statement on the last page.
- Mohit Kumar Donter:** So, these INR 11 crores are primarily tinting machines to the tune of around INR 5 crores rupees and the remaining is CWIP.
- Manan Poladia:** Okay, sir. Understood. So that is the first question. And secondly, we have received about INR 75 crores from the warrants, correct? Like that, we still have?
- Hardik Parikh:** Because only 25% has been received. So INR 150 crores of warrants were issued. Around INR 35 crores - 37.5 crores was received and an amount of INR 112.5 crores is yet to be received, which we will receive in this year.
- Manan Poladia:** Okay, sir, my question was on the utilization of these funds. Like once this entire INR 150 crores block is received, what do we intend to do with them outside of the capex, that we are already doing and outside of the distribution expansion?
- Ashok Kumar Gupta:** Primarily marketing and maybe we will see when it comes. We haven't formulated our plans for the expansion or utilization of these assets as yet. We are waiting for the funds to come. And so those plans will be formulated by the time the funds come.

- Manan Poladia:** My only question is, if you could give me a broad percentage number also, on how much you intend to use for expansion, how much you intend to use for advertising, whatever is earmark. Like just a broad percentage number would also do. I don't need an absolute fixed number, as a matter of?
- Ashok Kumar Gupta:** So you see in total capex, the three places we are taking up, we'll be investing around INR 100 crores - 190 crores. Total INR 190 crores and INR 40 crores would be to our own funds. Remaining, we will check. So INR 190 crores is the likely expense in the all investments, maybe slightly less. So looking at conserving cash there. And another, we are planning to spend around INR 30 crores in marketing this year. And maybe next year maybe more than INR 30 crores, INR 40 crores, INR 50 crores. That's how we are trying. As I said, increase your spend so that you can increase your sales.
- Manan Poladia:** Understood, sir. Fine. Thank you.
- Moderator:** Thank you. Our next question is from the line of Amit Mamgain from Asian Market Securities. Please go ahead.
- Amit Mamgain:** Hi. Congratulations on great set of numbers. Sir, I have a few questions. So one is, to just again a clarity. So did I hear that, our like-to-like basis in terms of revenue for Q4 was INR 145 crores. As investors, we should consider it INR 145 crores. That should be the base for future growth?
- Ashok Kumar Gupta:** Yes, around INR 140 crores, you're right.
- Amit Mamgain:** INR 145 crores, right?
- Ashok Kumar Gupta:** INR 140 crores.
- Amit Mamgain:** INR 140 crores. Okay, perfect. So my second question is, so we've taken this employee stock option program very recently. This was last month or this last. Can you just elaborate on this? I think, we have about INR 19 lakh shares across, if you could give?
- Hardik Parikh:** We have given the ESOP to all our employees based on the grade and number of years of experience that they have. And, we've got a very good response for them, from all the employees. We've already connected with all of them. Now they have a window of, next six months to 12 months to whom they need to, exercise it. So still the time is there. Once the time is there, we'll be allotting the ESOPs to them.
- Amit Mamgain:** Fantastic. That's a very good initiative by the Company. Thank you so much. If I have any other questions, I'll come back in the queue. Thanks sir. Thanks a lot.
- Moderator:** Thank you. Our next question is from the line of Mr. Darshan Shah, who is an Individual investor. Please go ahead.

- Darshan Shah:** Yes. Hello, sir. That's a follow-up question. So could you paint some picture about our freight cost situation?
- Ashok Kumr Gupta:** Our freight cost continues to be in the range of 7% to 8%. The last three years-four years, that's the same. It's true. There has been an increase in the diesel prices and all those things that have happened. And also, we have opened more depots. Because of which, there was supposed to be a marginal increase, but because of increased volume, there has not been any increase in percentage. So freight cost continues to be 7% to 8%. So far as I think company is concerned, the freight cost is 6%.
- Darshan Shah:** So can we expect this number to come down to, say, 5% to 6% or it will remain stable for some time?
- Hardik Parikh:** I think this year also, as a strategy, we're planning to open around 10 to 15 depots more. So as we said, we're going a little aggressive in terms of distribution expansion. So this year, we do see a reduction in freight cost, but it will not be like 1% per 100 basis points. It could be around 0.25% to 0.5%.
- Darshan Shah:** Yes, sir. And if I could recall correctly, about last quarter you had set a growth rate of 20% to 30% year-on-year?
- Hardik Parikh:** No. Last quarter, we had a growth rate on a comparative basis of 36%.
- Darshan Shah:** Okay, sir. So have you set any potential growth targets for the future?
- Hardik Parikh:** We continue to be in the similar line. We continue to maintain 35%. Right, Kuldip?
- Kuldip Raina:** Yes.
- Darshan Shah:** Yes, sir. So could you just shine some light on the factors that, you believe will help you maintain these high growth factors?
- Ashok Kumar Gupta:** So as you know, we are in two areas, industrial and decorative. When you say industrial, you basically refer to protective coatings. We are not in automobile. We are not in coil coating. We are not in significantly marine coating. If we are present, our presence is in protective coating. What do you mean by protective coating? Protective coating refers to coating on steel. Here you have steel structures, which is like PEBs or any steel structure, protective structure. You have pipelines, flat pipelines. Protective coating has been our forte of Shalimar Paints for long.
- We have not been focusing on it for some time. Now the focus has changed. We are again back on protective coating and on the pipelines and on the steel coating. I must share with you that, perhaps in this year, our growth in this segment of protective coating has been highest in the whole industry. And this growth has come not only in terms of value, but also in terms of number of products, which are being supplied.

Over a period of time, maybe next two years or three years, maybe even shorter than that, depending on our R&D, we will be having the largest basket of products to offer in the protective coating segment. Our idea is nobody should have the range that we will have. Nobody should have the quality. Our quality should be second to none. Our range should be second to none. Hopefully our quality and range being that, our volumes and our value will be second to none. That's our idea. So this is one area, where our growth is expected to come. We are currently selling around INR 200 crores worth of protective coating every year.

The market is very big. The market is more than INR 4,000 crores. We've got a big way to go. We can increase this INR 200 crores to INR 400 crores, INR 500 crores, INR 600 crores, even INR 1,000 crores, in due course of time. Secondly, so growth will primarily come from industrial, which is protective coating.

Secondly, we are focusing on decorative. Our colleague Kuldip has done a lot of work in decorative coatings. He's going to give you a brief glimpse of, what exactly he's planning in decorative, particularly emulsions, particularly with painters, so that volumes can come from there. Kuldip, can you add on, please?

Kuldip Raina:

Yes. Thanks, sir. So as we discussed last time also, our growth story is all about expansion and extraction. And in line with that, what we have also understood that, painter and dealer plays a very big role when it comes to the selling of decorative, what you call, products, where they have a better say. They act as brand advocates. So we have taken that route to kind of accelerate our growth now and in the future also. So a lot has been done around painters.

We have almost doubled the number of painters working with Shalimar. We have also doubled the number of painters, active painters, who are buying you every now and then, and which is a clear indication of the saliency or the equity of brand Shalimar going up in the marketplace. Apart from that, we have also introduced some products in emulsion category, which have also given us some inroads in the marketplace.

Also, we have eight to ten new products lined up for future, which will further strengthen our product portfolio and our grip in the marketplace. So, construction chemical space, we are not present. We have launched one particular product, which has taken off very well in the dampness space, which has already been our 2,000 to some 500 crores category now.

And so as the size of the industry, because we all developed in the last five years, six years' time only, and we have launched one product into that particular by the name of Zero Damp, which is doing very well. We have also ventured into, what we call the primers by launching a variant of primers. As I mentioned, we have got 78 more products to launch, and that's all about decorative. And the focus on painter and the dealer expansion will continue with a lot of spend happening around visibility in the marketplace and on-boarding of new customers and new painters.

So, will go on to the digital platform very aggressively, just to establish that connect with the consumers. So that's how it's happening in decorative. And as kind of said by Mr. Gupta, we are taking a leadership position. We are wanting to take leadership positions, one or two verticals as far as industry is concerned, by establishing our complete product portfolio, basket of products. And, since we are very strong in pipeline segment. We are aiming to be number one in this particular segment in due course of time.

- Darshan Shah:** Thank you for such a detailed answer, sir. All the best for your future.
- Kuldip Raina:** Thank you very much.
- Moderator:** Thank you. Our next question is from the line of Amit Mamgain from Asian Market Securities. Please go ahead.
- Amit Mamgain:** Well, thanks for the opportunity again, I had a question which was now well elaborated by Mr. Kuldip. My last question is, sir, could you just let us know, the timelines for the warrant conversion, both by Hella and the promoters?
- Ashok Kumar Gupta:** It was 18 months. 18 months should be over in September.
- Amit Mamgain:** This coming September, right?
- Ashok Kumar Gupta:** Yes, September or October.
- Amit Mamgain:** And, sir, even the OCD, I mean, the OCD is optional, but okay, perfect. I got your point. So this September is the warrant conversion, right?
- Ashok Kumar Gupta:** Yes.
- Amit Mamgain:** Thank you so much, sir. Thank you so much. All the best.
- Moderator:** Thank you. That was the last question of our question and answer session. I would now like to hand the conference over to Mr. Ashok Kumar Gupta for closing comments. Over to you, sir.
- Ashok Kumar Gupta:** Thank you, members. I really am good of you to take so much interest in our Company. I must tell you that, it was a good year for us. We've grown significantly. And in all areas of operations, there have been a big change. And there's been a lot of cleaning up done in the organization, in the plant, in the accounts, in the asset. These things should give us results in the years to come. Thank you so much for your participation.
- Moderator:** Thank you. On behalf of Shalimar Paints Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.