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MCON RASAYAN INDIA LTD.
Trusted Partner In Construction Chemicals



Date: 26-06-2025

To,
The Manager
National Stock Exchange of India Limited,
Exchange Plaza, Bandra-Kurla Complex,
Bandra (E)
Mumbai - 400051.

Symbol: **MCON**

Dear Sir/ Madam,

Subject: Transcripts of Post Earnings Investor Con Call dated June 5, 2025.

Ref: Disclosure under Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

Dear Sir/Madam,

Pursuant to the abovementioned Regulation, please find enclosed herewith the transcripts of the Post Earnings Investor Con Call held on June 5, 2025.

You may also find the transcripts on company's website at <https://mconrasayan.com/investor-relation/>.

Thanking You,

Yours Faithfully,

For MCON RASAYAN INDIA LIMITED

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MCON Rasayan India Limited
Knowledge Session and H2 and FY '25 Earnings
Conference Call
June 5th, 2025



MANAGEMENT: **MR. MAHESH BHANUSHALI – MANAGING DIRECTOR
AND CHAIRMAN**
MR. NANDAN PRADHAN – WHOLE-TIME DIRECTOR

MODERATOR: **MR. RAKESH ARORA – GO INDIA ADVISORS**

Rakesh Arora:

MCON is a leader in you know construction chemicals and they have 100 plus SKUs and they have been at the cutting edge of innovation so even in FY25 they launched around nine odd products. They operate from two you know facilities they have like 112 distributors. So let's hear from Mr. Mahesh and Mr. Nandan about the business. So, Mahesh ji, can you give us a little bit brief as to what you think about the business, how you started your journey and how did you land up at - in this space? What is the background?

Nandan Pradhan:

Good afternoon, all. This is Nandan Pradhan here and see MCON Rasayan India Limited like what Rakesh Ji rightly said, yes we are into the construction chemical space and we have got our own two units at Vapi, one at Sarigam and one at Ambethi so the currently the major mother plant cover around 3 lakh square ft - is fully operational now and from there we are manufacturing almost 100 plus products which includes powders, liquids, ad mixtures, paints, watering systems and if you talk of the journey we started through our retail network. Our base location is, of course, Mumbai so we started from Mumbai and from here on we developed the retail network and the contractor network and slowly started spreading our wings across the state of Maharashtra and Gujarat. Currently if you talk of, we are present in seven different states of India which are Maharashtra, Gujarat, MP, Rajasthan, Karnataka, Kerala and UP North- so this is how we are slowly spreading our wings. Last year we launched the entire range of decorative paints and currently we are having more than 70 dealers selling our paint products and it's doing fairly well. We have got almost 15 SKUs in the paint domain itself. We have got our own R&D setup in Mumbai and also one at the factory. When we say that we are on own R&D setup which means that we believe that we need to innovate the technology, we need to give something new to the construction domain or the construction industry because in last 15 years the construction industry has grown to see change - technological innovations - be it in the concreting, be it in the way the formwork is done, be it in the way the coatings are done or the protection to the building is done or protection to the flooring is done. So, we are trying to be part of each of these kinds of situations where we can play our role. Our major customers are builders, developers because in our initial days we focused more on the building construction so our major product portfolio of the product segment is builders and contractors and the developers and then comes the government projects where we supply to the infrastructure contractors who either are making roads, flyovers, bridges or repairing bridges or repairing dams and reservoirs. So, these are the places where we do lot of activity. We are one of the prime suppliers in the prime minister Awas Yojna under the Maha housing scheme. Recently, almost two months back, we also got approved in the CPWD. So, now we will be there in the central works department where we are having some major projects or wings. The results or the order flow will be seen maybe during the monsoon or post monsoon. As far as the overall company structure is concerned, we are having a team of almost 65 odd professionals who are doing the sales activities across all the cities that I talked about. We mainly focus on the distributor network and that's why we have about 100+ distributors in our network who are selling MCON products. Few of them are project distributors who directly sell to projects and few are retail - who stock and sell so almost 75% of our business comes to distributors and the balance 25% is either direct to maybe through infrastructure projects to Ready Mix concrete plants (RMC plants) or to contractors. Almost two years back we started the ad mixture division, so which was contributed hardly 1.5%. So last year it contributed more than 7% ad mixture division itself is again a profitable division in terms of the margins or the gross margins concerned so yes that's about the company.

Rakesh Arora: Thank you Nandan Ji for - you know, a good round up. So, my first question is that we make so many products but is there one chemistry that we excel in or is our capacity fungible and how do we actually measure our capacity given that we have so many products so if you can just give us what is the underlying capacity? What is the capacity and you know is it fungible or not?

Nandan Pradhan: Yeah, so yes, the capacity is fungible, first of all, and our capacity - we can measure in terms of tonnages because the conversion to values is a very- I can say a funny calculation. For example- one of my powders if I talk first of all- grey powder product so grey powder product - my capacity is around 20,000 metric tons, okay? Now, if I talk of one particular product, it is 5-6 rupees a kg and in the same machinery if I manufacture one other product it is almost 18 rupees a kg, okay? So, I can become three times my turnover as far as the value is concerned just by changing the product it and the turn is being remaining same so that is how it is so if I broadly talk of the capacity - 39,000 metric tons is for powders and around 8,600 metric tons is for liquids.

Rakesh Arora: Okay, and so what is the main chemistry here that we have? Do we excel in any main chemistry for making these products?

Nandan Pradhan: Yeah, so if I talk of product range, then initially we were a powder-based company. More so right now, we are excelling in Tile Adhesives which is contributing almost 26% to my overall sales, so that is one product domain which is having good margins as well as having a good product value and there we are also excelling or growing day by day like from 15% to 26% is the growth in the terms of contribution to the turnover. The other that we are slowly excelling is the ad mixture division where we have got our own R&D center. We have got concrete technologists who are working day and night to formulate certain products which can meet the current standards of the concrete required because currently the concrete require is having more hours of retention- is needed 2 and a half, 3 hours, even 4 hours, higher grade of concrete is being manufactured M40, M50, M60 and also the quality of sand is reducing or deteriorating day by day so with all this chemistry into picture, all this challenges into picture manufacturing a good ad mixture is always a challenge and we are excelling in that so yes, that is one more segment I can talk of in which we are slowly excelling.

Rakesh Arora: So Nandan ji, if we have to broadly divide our product portfolio into 2-3 buckets, so one is obviously improving the quality of the concrete- is one of the things there so this like an additive that you sell, correct? And the second is, you know, you have those tile additives - fixing of tiles - so that's like additive category? What else- what are the other categories broadly if we were to quantify your product categories?

Nandan Pradhan: Right, so if I talk of the basics so if you want to make the structure then the ad mixtures come into picture. If you want to cover the structure, then ad mix plasters block adhesives and tile adhesives come into picture which cover the structure. If you want to waterproof the structure the waterproofing systems, come into picture and if you want to decorate the structure, then textures paints wall putties come into picture and tomorrow if your structure deteriorates over a period of time maybe 10-15-20 years then concrete repair products come into picture. So, these are broadly the categories that we deal in or we manufacture.

Rakesh Arora: Okay, so we covered the whole gamut from built-up to taking care, you know to the end of the life of the product. So, in terms of this, looks like a very big you know market size kind of, you know, the total addressable market is very huge so according to you know what will be the addressable market size for all our products?

Nandan Pradhan: All our products put together maybe, around 50,000 crores in India alone.

Rakesh Arora: Okay and, can you tell us who's the competition because obviously you know, paints etc. we know, even waterproofing we have some large companies you know already there but can you tell us for ad mixtures and plasters who are our key competitors?

Nandan Pradhan: So, again, in the just like I told you the construction space is changing, the construction technology is changing, similarly the competitors are also changing day by day. Like all the paint companies today have become manufacturers of construction chemicals- Asian paints is there, Nerolac is there, Berger is there, Birla Opus is coming into this, Ultratech is already into this. So, all the big giants are already now in the construction chemical space. Of course, Pidilite is already there with Dr fixit and Roff brands, so they are also into the same space. Then there are few companies from outside India like there are Italian companies like Sika is a Switzerland company. Mapei and Kerakoll - Italian companies are there and Fosroc, again a UK based company so these are all private limited companies.

Rakesh Arora: What competitive edge when we have such large companies who are competing in this manner?

Nandan Pradhan: So, see sir, construction chemical selling is not like commodity selling and it's more like technical selling because you are selling some solution so the people who are having that technical acumen, the technical age and who are going to the customer trying to give them solution in the- have always excelled in this particular game. In past also many companies have tried to commoditize the entire space but it has not happened yet. So, most of the times those who have specialty chemicals or specialty technology and who have technical team of their own or manufacturing space of their own win the game - that is our age. Like we have got our own R&D team, we have got our own technical team, we know the product in and out we manufacture on our own and we reach to the customer and give them the right solution so that's where we win.

Rakesh Arora: Okay, so but see most of our customers are B2B customers. so how does the order come in what kind of customization we do for the them, you know, can you take us through the whole process?

Nandan Pradhan: Okay, so what happens is like- first of all, we have got the distribution channel in place so this- those distributors ensure that when the product reaches the customer then, after that the billing and the payment cycle has to be in order so that is one part of it second my team, visits the customers to get the product technically approved by either doing a sampling or submitting certain technical data sheets and certificates and creating a trust between the customer and MCON, once that is done then the commercial negotiation happens and then we get the order. Once you get the order then, depending on the type of the product for example ready mix plaster, block adhesives etc., there is nothing like you know, some customization required those are straight products, standard products which go in the same formulation day in day out. So, for

that we have got a fully automatic plant which does the same formulation every time. It is fed in so that the consistency matters lot and it's a volume-based product and so we manufactured that based on the orders and of course, you have got a finished goods stock of almost I can say, 20 to 25% of the total offtake in a month so that is always ready with us. So then, we have to book the transport and transit the product from our manufacturing location to the either the distributor or in case of projects directly to the projects.

Rakesh Arora: Okay, in order, we need to get technical approval before it can be considered for and do we have to bid is it like a L1 bid that we see or is it you know mutually decided how the pricing happen?

Nandan Pradhan: Yes. Pricing always is not necessarily L1. Many times, it's more on the technical side because for a tile adhesive. The importance is of the pullout test because the tile should not fall. The tile is a costlier, product and the finishing or the risk of tile falling is even costlier so the adhesive it's costly but performing better always gets an edge.

Rakesh Arora: What is our key raw material? Can you take us through unit economics of our product meaning what are the key costs starting from raw material?

Nandan Pradhan: So basically, see raw material if again powder and liquid vary so in powder the major raw material cement and sand- the sand can be reverse sand, silica sand, so two types of sand are being used. Apart from that, there are certain polymers which go into the product which either ensures better dispersion, better bonding or improves the chemistry of the entire product mix and so that is how the powder operates because it's a fully automatic plant. So, unit economics if I talk of the labor cost involved in any of the bags is almost equal so whether the bag is or the product is worth 5 rupees a kg or 20 rupees a kg, the labor cost almost remains the same. Now, when we come to liquid then the major thing is again a special type of polymer but these polymers are totally different from water used in powder and then almost 35-40% is again water but this water is also special kind of water- it's not a regular water or portable water. So, there is a special plant through which the water is manufactured or processed I would say and only that kind of water can be used which suffices certain chemical content or it should not have certain chemical content.

Rakesh Arora: So, the raw material is largely sourced from India only locally?

Nandan Pradhan: Almost 80%.

Rakesh Arora: For us to be able to you know, know the cost of our product when we selling it? Are we kind of sure about our margins when we are bidding for that product or, you know, are there any cost escalations how long are the contracts?

Nandan Pradhan: See, we are in 99% cases, we are damn sure about the product cost. So, the cost escalations normally are not that fast or the risk level are not that high. Yes, of course, the cement as everybody knows, cement cost just keeps on changing day in day out, but that also is within certain margin. Once a year or twice or once in two years it happens that the rate of polymers all of a sudden shoot through the sky and then again come back to normal so that panic situation happens maybe once a year for a month or two so that is something that we have to handle but we do carry certain stocks.

- Mahesh Bhanushali:** Raw materials- they are not so volatile. So, market is supporting there so product pricing is not concerning actually.
- Rakesh Arora:** So, from bidding for the order and you know, buying of raw actually- material- what is the time lag?
- Nandan Pradhan:** Bidding for the order, from buying seed, we can't buy the raw material based on what we are bidding for. We need to have the raw material at our home because the one is the gestation period of our raw material or the time taken for people to deliver the raw material so that risk we cannot take. Plus, we need to be sure that whatever we being for that raw material is available with us beforehand only. So, it's the other way around, that whatever we hold the raw material it's enough for at least two and a half months' turnover.
- Rakesh Arora:** So, you have to buy raw material and keep it in advance. So, in terms of, you know, do we have any order book? What is the visibility of orders that we have because there are a lot of questions on revenue so...? Which I'll come to that so what visibility do we get for orders how long before we know that what would be our sales?
- Nandan Pradhan:** Visibility of orders honestly, funnels are there but orders like we don't have. We have got LOI's where, they say that yes, in next 6 months this is the kind of offtake we will have because for us the order comes from distributor and the contractor or the builder gives the order to the distributor so we get the LOI and then based on the schedule from the client we have to keep on dispatching the product.
- Rakesh Arora:** We're already into the third month of a year so for the first half what kind of order visibility do we have?
- Nandan Pradhan:** It's good so far. The order visibility is quite good, because since last year, the government projects were almost at standstill but now they are slowly or rather speedily moving up. Of course, again this off-seasonal rain created a bit of mess but still the order flow is quite good.
- Rakesh Arora:** Now, see there are a lot of questions on that, you know, our guidance for 80 cr last year and we missed it by you know, big margin. So, obviously we do understand that there were election year and then government order didn't pick up for two more quarters so that really impacted our performance, so does it happen that we might have orders and you know but it will not lead to dispatches because things are going slow, like as you said currently unseasonal rains so those kinds of possibilities are there?
- Nandan Pradhan:** For the current year or for the past year?
- Rakesh Arora:** Last year may, if you can tell us, you know the guidance miss was a bit large yeah, so we know the broad reasons if you want to add something to it?
- Nandan Pradhan:** Yeah, so Rakesh Ji, first of all, I would like to tell like, of course, we are comparatively new to this, you know, the shares and stocks and the investors and the shareholders and how the mindsets work, okay? So, we considering the way we are like- we are a bit flamboyant or bit open-minded in nature so when we gave the guidance. It was more like yes; we are planning to

do 80 crores. It was yes, that is our target so that's what we- but that guidance we never thought that you know, that guidance though we could grow by 20% still that guidance will show that yes, we are failing by 40% so that that is where the gap was, first of all, created and then the second part is that, what you rightly pointed out that during the year there are multiple occasions where whatever we had planned was we could have got it but, first of all, the elections in the center then rains and then the elections in the state because almost 50% of our business we are doing in Maharashtra state, okay? And, the Maharashtra state, initially because of the elections, the builders were underground that they don't have to pay the extra money to the politicians and post that the budgets were not released for the government projects, okay? In both ways, overall, the Maharashtra sales slowed down so that was the major setback for us.

Rakesh Arora: Okay, so for this year, if you were to give us a conservative number- obviously you are targeting much more if you were to give a conservative number- what number should investors work with that this is like a safe number to work with?

Nandan Pradhan: See, we are- we are sure that we'll cross a 70cr, okay? and that is a very safe number, I can say that we are looking forward to.

Rakesh Arora: Okay, good

Mahesh Bhanushali: Now, again, Rakesh Ji, we have different aspirations but Pradhan ji is very as you said he's very conservative so we have to be conservative there.

Rakesh Arora: Obviously, given you know what has happened with us unforeseen circumstances, I'm sure that you have turned conservative but let's hope that you'll do better than this.

Mahesh Bhanushali: Sure sir.

Rakesh Arora: Yeah, okay perfect. Sir, now coming to so capacity you said we have capacity of 39,000 tons as, you know, what liquid? Powder?

Mahesh Bhanushali: Powder.

Rakesh Arora: And another 6000-7,000?

Nandan Pradhan: 8,000 plus.

Rakesh Arora: 8,000 is liquid and we keep hearing about your, you know, innovative, you know model that you are deploying to expand capacity so can you take us through you know what is this- whole arrangement that you're doing with your franchisee partners?

Nandan Pradhan: Yeah, so see, we have signed up agreements with the certain franchises who are ready to invest into the manufacturing plants on our behalf so it's a franchisee-owned and company-operated units those would be so based on the locations that we desire. Those people put a manufacturing plant again the entire design of the plant including the machinery the equipment the laboratory everything as per the specifications of MCON Rasayan and then they invest on that they act on that and then whatever is manufactured in that plant is again purchased back by MCON and then sold to the distributors. The entire exercise is needed because as far as powder products is

concerned, we need to be near the market location to ensure that the transportation cost is in control and we are able to give affordable product and still earn good bottom lines so that's why this entire exercise is there. At the same time, we don't want to become very asset heavy, that's why this FOCO model is there.

Rakesh Arora: Okay, so what would be our capacity after this you know, these franchisees operated things are ready?

Nandan Pradhan: So, see right now itself, we have increased our powder-based capacity by almost 8,000 metric tons based on the FOCO model and liquids again are another 1,500 metric tons, so 3,000 metric tons is there.

Rakesh Arora: So, what is the current capacity utilization in FY25 for these two products.

Nandan Pradhan: So almost 55% was our total capacity utilization.

Rakesh Arora: And what is the maximum we can go to?

Nandan Pradhan: In terms of tonnage or- or in terms of percentage?

Rakesh Arora: Percentage capacity utilization.

Nandan Pradhan: 80-85% we can easily go.

Rakesh Arora: So, we have enough growth levers.

Nandan Pradhan: Yes, we see again, in that also to ensure good capacity utilization, we have already hired a consultant since last one and a half years, who advises us on OE which is called operational efficiency. So, we are working on that operational efficiency to and currently our OE is almost 88% so that is the efficiency we have. So, we can easily cross 85% of the capacity utilization.

Rakesh Arora: Just understanding the economics of this franchisee- What does the investment franchisee have to do and what kind of return they make and is it a fixed return or they get some upside?

Nandan Pradhan: No, it's not a fixed return. The total investment is around 1-1.5 cr And the ROI is almost three-three and a half year.

Rakesh Arora: Okay, three and a half years, payback is there for them. These facilities already started?

Nandan Pradhan: Yeah, these are started.

Rakesh Arora: Okay, now coming to, you know, working capital we saw a lot of increase in working capital last year, so obviously you had stocked up a lot more than you can sell. So, can you tell us you know, how the normalization will happen of this working capital and to do these additional sales- do we need further working capital or we have enough?

Nandan Pradhan: Okay, so first of all, yes, the working capital has increased because the increase in the inventory and the inventory has increased because, three major reasons. Number one, of course, the

projections so when we told you all that. Yes, we are planning so we were really planning the intention was surely there, that's why we also, stock the raw material needed or the packing material needed and because we are having almost 100 SKUs with us so the packing material needed or the inventory of the packing material is quite huge because each product is having a different bag, a different bucket, a different barrel or a different drum, so we need to stock that. Secondly, when we enter franchising model then there, the stocks of the franchisee are our stocks they come in so there also, our inventory increased because that is something that we needed to invest in and because instead- apart from our mother unit the stock is lying in another five units finished good stock, raw material stock, and packing material stock all three of them so all that put together there- there was a huge inventory and third, of course, that in the credit segment, I can say like the distributors because we open new pockets, new regions and also the project division that is the government division, so the credit lines we had to extend on slightly on the higher side because the payment from the client to the distributor was a bit slow so they had certain special request which we acknowledged because they are our extended partners or extended hands so we had to acknowledge that so these three all put together increased our cost of working capital. Now, of course, we are working number one, with the franchises to ensure that the inventory control at their end has to be their headache and major items we have developed vendors around them, so they can purchase directly from their vendors and it doesn't come in our books so that is one part that we have already started. So slowly, you will see reduction in the inventory levels or the cost of inventory. Number two, we have tied up with a channel financing NBFC or channel financing model wherein certain instrument is created for the distributors so slowly, they are coming on board with that model so that we get the payment fast and they get the credit that they deserve or want from directly from our channel financing partner so there, again, we will reduce the overall outstanding that is there with us in the market.

Rakesh Arora: Okay, so, meaning we had geared up for a much larger sales last year and our inventory went up so, basically, you are saying that we don't really need further working capital for this year, because we have prepared for 80cr now, we are saying 70cr plus maybe I don't know it is 80-90 whatever but we are geared up for 80 already, right?

Nandan Pradhan: Correct.

Rakesh Arora: So, what are our bank limits and how much have we used?

Mahesh Bhanushali: So, bank limits are- if you talk of working capital, it's 11.5Cr and we have- we are totally using those limits.

Rakesh Arora: Okay, that is fully utilized?

Mahesh Bhanushali: Yeah, yeah, that is fully utilized.

Rakesh Arora: okay, so if we need more working capital then what are our plans meaning there was one question whether we need to dilute? We need to raise some equity or we have enough bandwidth so what is our total debt, gearing etc. and do we have any further scope to raise you know, money if required?

- Nandan Pradhan:** Yeah, see we have scope of raising money from the bank if required depending on, of course, the sales numbers of the first half of the year, would be there so based on that surely, we can get some depth from the bank as well as, based on whatever steps we are taking in we are sure that we will see a steady cash flow so maybe a dire need of working capital may not be required at least in the first three quarters. Then, based on- because we are envisaging a big order flow in the third quarter and a good sale in the third quarter, so based on that maybe possibly in fourth quarter we might need working capital.
- Rakesh Arora:** But that will be bank funding you will seek rather than any equity funding?
- Nandan Pradhan:** Yes.
- Rakesh Arora:** Okay. There's one question which was interesting which is- we have so much of inventory here and Abhinit is asking is there any shelf life? Do we have to write off any of the inventory?
- Nandan Pradhan:** No, there is- see, finished goods inventory has got a shelf life few are 6 months, 12 months, 24 months, but the major inventory currently is at the raw material level and there those inventories are not something that we will have to write off, because those inventories are not more than 4 months old and each of them is having 18 months of shelf life so that will not be a problem.
- Rakesh Arora:** Okay, and so now coming to the important question, so our EBITDA margins also went down because you know, we did so many things so what is the EBITDA margin investors should expect once things normalize? What would be your guidance based on the conservative 70 cr+ revenue that we're talking about- what EBITDA margin should people bake in?
- Nandan Pradhan:** So, anything above 15% is for sure and because see just like I gave you the example of the product mix so we are consciously changing the product mix moving from powders to liquids so that as the contribution of the liquids to my turnover increases, the EBITDA will improve on its own and of course, the day we achieve the turnover desired because we have already incurred the fixed cost equivalent to a 80 cr or 100 crore company. So, the day we you know, move from above 60-65 cr then automatically the EBITDA is further going to improve.
- Rakesh Arora:** Okay, so 15% plus EBITDA margin you think is easily comfortably possible. Yes, as compared to what we did last year- there are some questions on the progress of, you know, Sholapur, Puna plant. How are you progressing? So, Radhika is asking this question and is there any you know what are the margins there?
- Nandan Pradhan:** Okay, yeah so, the Puna plant is operational and we are progressing really well in that. The Sholapur plant- there, again the powders have started, liquid is yet to start because the requirements have not yet come. The Prime Minister Awas Yojna project had slowed down like I told you last year so due to that the requirements were not there that's why we did not you know, speed up the manufacturing of liquid progress but during monsoons we are sure that that plant will also the liquid plant will also become operational because post monsoon that work is also going to start in a big way.
- Rakesh Arora:** What kind of revenue can you expect from this plant next year? This year actually- not next year?

- Nandan Pradhan:** So, I think this plant Pune-Sholapur plant will contribute almost 15-18% to our total revenue.
- Rakesh Arora:** Okay, Aman has some big picture questions- one is asking about the total market size of each offering. So overall you said it is a 50,000 cr, you know, addressable market but what about ad mixture, plasters, waterproofing, do you have individual kind of idea as to how big are these markets?
- Nandan Pradhan:** Of mind, I don't remember it but yes, for ad mixtures, I can surely say tell that it is more than 10cr market space of ad mixture alone.
- Rakesh Arora:** Who is the biggest competitor in ad mixtures?
- Nandan Pradhan:** Sir, currently I would say that we are not even at 0.1% of the total market size so all are competitor and none of them is competitor.
- Rakesh Arora:** Yeah, no problem. Don't worry about competition. Now, the other question Aman had is on the value chain he's worried how much are you giving to your distributors they are not taking too much.
- Nandan Pradhan:** Yeah, so distributor margins are between- anything between 7.5% to 10% depending on the product and depending on whether he's giving to projects or is giving to retail because project again a volume business so there are a few distributors who are even operating at 4.5% to 5% in project division.
- Rakesh Arora:** Okay, and there's one question on the tax rate- it was lower last year, so we should be at 25-26% tax rate?
- Mahesh Bhanushali:** Yes, the same 25-26% tax rate?
- Rakesh Arora:** Now, Reena is still not sure- she's saying that there's always some constraint in the market- how prepared are you to counter all this, you know?
- Nandan Pradhan:** Yeah, so yes, there will be many constants in the market but like I told you, the market size is so huge and we are not even trying to take out a drop from the ocean. So, the constraints over a period of time will not bother us much again because now we are there in multiple states so, we are also expecting to you know, have a well distributed turnover buy from each of the states at least from the seven existing states and maybe two states will add into this picture down the months. So the constraints, of course, we will nullify and again like I told the product mix has changed now, we have got paint, we have got ad mixture, in a full-fledged way, of course, we had the product last year but the production as well as, the sales team as well the technical team, were not that big and well developed that we have today, so that will also ensure that, you know, we can grow out of all these constraints and of course, we are getting a reasonably- I can say a good figure which will not bother us much as far as the constraints are concerned.
- Rakesh Arora:** Okay so, Reena is saying that she's asking about the internal constraints, external she agrees- that they are beyond our control but internally are there any constraints to meet the guidance that we are seeing.

- Nandan Pradhan:** No internally, we don't have any concerns like that because we are good at production. We are having working capital with us, we have got a fantastic team of sales and R&D and technical as well as, quality control people and our locations are well marked. The distributors are behaving well and so that's not a problem.
- Rakesh Arora:** Okay, so Aman has a question on state-wise exposure you were saying Maharashtra is the biggest one for us so what is the percentage of sales in Maharashtra?
- Nandan Pradhan:** Maharashtra is almost 50%.
- Rakesh Arora:** and then Gujarat etc. would be how much?
- Nandan Pradhan:** Gujarat is around 20%. 12% roughly is Rajasthan 4-5% is MP. The south contributes almost 6 to 8% and UP market is contributing around 4% so that is how it is.
- Rakesh Arora:** Okay, thank you. Naresh has a question on you know, the franchisee while you said it has already started functioning but he has done some ground work. He's saying that Bangalore franchise is not yet started.
- Nandan Pradhan:** No, Bangalore franchise has started, the production has started and we have already supplied almost I would say like, last two months, we are supplying from the Bangalore franchisee only.
- Rakesh Arora:** Okay, so that's good news that Naresh we have for you it's already started. So, one of the things you mentioned, you know, was that you can make a 5-rupee kg product and 82-rupee kg product from the same thing. So, what is the proportion of value added the higher end compared to lower end in our portfolio at the moment and where do we aspire to go to?
- Nandan Pradhan:** Okay, so currently- high value-added products contribute to almost 30-35% and 65% are the lower value products and last year we have already moved almost 20%. This shift and this year again, another 20-25%, we are expecting to shift, so maybe, we will end up at 60/40 ratio. 60% value added and 40% at a lower value.
- Rakesh Arora:** In one year or two years?
- Nandan Pradhan:** In one year.
- Rakesh Arora:** This year in FY26, you're saying?
- Nandan Pradhan:** Yes, yes.
- Rakesh Arora:** Okay, that's a good improvement, one of the things, I wanted to ask you, we are a small company, it's a small revenue number to think of but our SKUs are very large so is 20% of the portfolio bringing 80% of revenue which normally we see is the case for most companies. Is this the same case for us?
- Nandan Pradhan:** Yes, it's the same case like, the top 25 products are bringing the 80% of revenue and the balance products are contributing just 20% towards the revenue but at the same time each product even today it's 20% of my revenue but its capability or its market size is equivalent to the other 25

products which are contributing to 80%. So, market size wise each product segment is equally huge. Of course, we cannot or we are not able to reach to that kind of revenue if we could then of course we will be a 500cr+ company but right now of course, each product segment we have to go gradually because each will require a different kind of expertise, different kind of bandwidth and different kind of market strategy so that's why we go slow on each product segment. At the same time why so many products those are needed when you address a builder or a client because few products the competition might be very stiff or very huge in certain region so we have to enter through other product create the trust and then add the value added products so that is how the strategy works so we uh focus on basket selling be it a distributor or a client, a builder, a developer or contractor so for doing the basket selling, you need fruits in the basket so that's why the portfolio is huge.

Rakesh Arora:

Abinit has a very interesting question, he's asking that from a cash flow perspective we are doing all this franchisee model so the capex is getting transferred to the franchisee but our main risk is working capital and so how are we dealing with that and so it's kind of tied to the question I was asking about number of SKUs unnecessarily the working capital goes up and so he's also asking how are the margins for us in the franchisee business like in our own plant versus a franchisee one is margin and then maybe you can say return on capital employed that would also be a good number to look at?

Nandan Pradhan:

Right, so, first of all the cash flow thing or the inventory thing let's talk of that so like I told you the last year the inventory at the franchisee because the franchises were also, relatively new to us and they had invested on the plant and machinery so that told that the was the stock inventory will remain with you the moment, we bill it out back to back billing or we'll move that way so that's why the inventory was on us but this year we are already two of the franchise have already agreed that the inventory is on them so till the inventory doesn't turn into finished goods we are not carrying the cost of inventory on us, so that is one big- plus for us so the working capital requirement slightly gets controlled in that situation. Now coming to what are the margins or how much margins are the franchise is eating into so almost in 85% of the products the margins are directly balanced out by the transportation cost that we save?

Rakesh Arora:

Oh, we don't lose anything?

Nandan Pradhan:

Correct. We don't lose anything.

Rakesh Arora:

But, transport cost to the franchise owner?

Nandan Pradhan:

Correct. So, we reach on time like for example if I have to send a product what Naresh asked- Bangalore plant, okay? So, if I have to send a product from Bangalore from Vapi plant to Bangalore, my transport cost is around 3 rupees 25 paise so instead if I send it from Bangalore to Bangalore it is 75 paise so that is the kind of shift and still end up paying maybe the franchise 1 rupee or 1 rupee 10 paise per kg as franchise margin and still saving on my margin.

Mahesh Bhanushali:

And also transit period is very high from Vapi to Bangalore. When I'm near that market so I can supply faster also that is one more added benefit.

Rakesh Arora: So, one risk factor what are the chances that our franchisee understands the whole thing and starts his own business undercutting us? How do you make sure that that doesn't happen?

Nandan Pradhan: Sir, for that see, traditionally what is happening I will tell you that in most of the cases like if you talk of Asian Paints, Dr. fixit or other brands what they doing is that do they are doing the outsourcing model so there is already a plant like there, there are multiple plants in Bangalore where I have to just send my bags they will fill in my bags and give me the product whatever is manufactured in their premises based on their formulation, so what happens is that over a period what you are saying is right that he creates his own brand also parallelly starts selling it in the same market saying that boss, Dr fixit is manufactured at my plant so buy Ten times cheaper from me directly. In my franchise model number one, I'm not telling him what is the formulation. He is more of investor rather than a manufacturer and a marketer so his thought process is that till I'm getting good ROI, I'm happy that my capital is invested and I'm getting returns on it I'm more than happy you are running the show you better run the show and give me my turnover that's it. So, I have selected that kind of model and that kind of people who don't want to go into the market and really sell the product.

Mahesh Bhanushali: And still Rakesh Ji adding to that since last 8 to 10 years I, Pradhan sir and Chetan- we are working to create our own brand so creating that brand name and that trust is more difficult thing so even if someone comes to know to whom I'm supplying also it's not that easy to go and convert that data in their company. So, it's not really about only rates it's a technical product and the trust which you are building day by day.

Rakesh Arora: Now, so my last question Mahesh Ji- why are we not expanding fast all this franchising model because we are not investing anything, we have the technology, we just need to provide support next year why can't we go to a whole of country so what is the plan on the franchisee model?

Nandan Pradhan: Right. So sir, it's- see what happens is that sustainable model needs a good market right because the day I put the franchisees manufacturing in place I need to promise him certain turnover from that plant so that he also at least break evens over a period of 3 to 6 months so for that first of all I need to explore the market do the marketing appoint the distributors start selling from my Vapi plant and create a steady market for the that place and then I can put a franchisee to have plant over there. That is how we operate so that the franchisee remains interested also and he also gets his break-even so that takes time. Secondly what everyone is asking or curious about or even challenging to some extent is the working capital so of course, to go pan India you need higher working capital and that's why we are going a bit slow on that because it should not happen that I fund the working capital for other states and then miss out on Maharashtra.

Rakesh Arora: Though I said last question- but I have one or more question like our product like say waterproofing product, how different it is in quality from say Asian paints or other because these days we see so much of ads on social media from them and they're willing to send person to the home to do how do you compete with that is our product better it is or we do only B2B that's why we are able to do how do we compete with these kind of things?

Nandan Pradhan: Yeah, so sir, we have got two if I talk of segment itself only alone then yes, we have got two products which are technologically better than those which are available generally in the market.

And those two products give us an edge when we go to B2B because these people are also there in B2B there but their focus is more on B2C so they don't compete much in B2B and B2B is more about technical selling where you know you need to study the structure then you need to make the drawings, make the Bills of Quantities (BOQ's), make the specifications, you need to have your trade applicators who actually go on the site and do the waterproofing and then give warranty, guarantee, so there also we have got a back-to-back guarantee model where we do a triparty agreement with the client so that the client is also assured that is part of the guarantee whereas these other competitors they don't give a they only give a guarantee of the product they don't give a guarantee when the product is applied so that guarantee is more like eye-wash so that's why slowly they don't get that kind of you know, repeat business from the big vendors.

Rakesh Arora:

Okay. My personal experience is that you know, I did call that guy for waterproofing one of my walls which was you know, because the paint was coming off, after a year or two it just shifts from that location to slightly nearby location. It doesn't really change much right? So okay, so understood that. You did mention about two R&D centers but what exactly is our R&D you know capability what kind of people we have and what kind of money we are spending to do R&D it is just for customization for the client or is its new product or you know what is it?

Nandan Pradhan:

Yeah, so see the R&D centers are there are you rightly pointed out both the things, okay? So one is the customization of the product based on the changing needs of the customer and the second is, introducing new products or new technologies so what happens is the capability wise you have got doctors in polymer chemistry who are two doctors who are heading the R&D centers and then below them we have got MSC in chemistry or chemical technology and also civil engineers part of the R&D center because construction chemical is a combination of chemistry and civil engineering so we need to have experts from both the fields to understand and test the product and give the right product to the customer. Secondly, we also visit international fairs to see what is the prevailing technology outside and try to you know, either do reverse engineering of the products that are available outside or create a similar product based on the needs of the atmosphere in India because India is a combination of 10 to 12 countries I would say like every 150 kilometers the temperature is changing the way people behave is changing the weather is changing, the education levels are changing and the need of the customer also changes. So with all that into picture it's very important that you know you formulate a product based on the feedback that you get and for the similar thing we also have internship with students from good institutes like NICMAR etc., who come with us who learn our products go to the consultants and architects do survey reports from them and share their findings with my R&D team so that we can develop further more products, okay? So that kind of combination keeps on operating.

Rakesh Arora:

Since a lot of our sales happens to you know, government contractors also. What is the situation of bad sales meaning have we lost money which you have not recovered uh is there any money pending for more than one year?

Nandan Pradhan:

Money lost or not recovered- no that situation is- not so far. Yes, of course, maybe 2 to 3% I can say which is pending for more than a year or maybe 0.5% can be a write-off case due to either you know the small product failures or the contractor like during post-covid the contractor or the dealer all of a sudden vanished so that situation but that was only during COVID.

- Rakesh Arora:** So, we can't say much about it.
- Mahesh Bhanushali:** Yeah, exactly but overall- overall sir, money is safe so that's not again, a concern here and government also majorly we try to re-route through our distributors.
- Rakesh Arora:** So, sir, I want to thank you for this lively session. I'm sure you know, investors wanted or expected a lot more and it didn't happen in FY25 but you guys have laid the foundation very strong for sustained growth so I'm hoping you know, that we'll now keep on delivering so thank you so much. Mahesh Ji, you want to say any last two lines before we close?
- Mahesh Bhanushali:** Thank you. Thank you, Rakesh Ji for such a nice session and all our stakeholders for asking such wonderful questions. We always love to speak to people and what actually we do, we always like to say that so just in two lines we have big aspirations, no doubt about that. But as Pradhan Sir started with a conservative number so I'm sure this year we are delivering. Thank you, thank you very much.
- Rakesh Arora:** Thank you, Mahesh ji, Thank you Pradhan ji for your time.