

June 07, 2024

BSE Limited Corporate Relationship Manager, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400 001 Scrip Code: 505509	National Stock Exchange of India Limited Exchange Plaza, C - 1, Block G, Bandra-Kurla Complex, Bandra (East), Mumbai - 400 051 Stock Symbol: RESPONIND
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Sub: Transcript of Q4 & FY24 results concall under Regulation 30 read with Schedule III to the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI LODR Regulations")

Dear Sir/ Madam,

Further to our letter dated June 03, 2024, whereby the Company had submitted the link to the audio recording of Q4 & FY24 Financial Results concall held on Monday, June 03, 2024 @ 4:30 p.m. IST, by way of conference call with investors and analyst, hosted by Ventura Securities, to discuss on the Q4 & FY24 results of the Company on quarter and year ended March 31, 2024.

Pursuant to the Regulation 30(6) read with Para A of Schedule III of the SEBI LODR Regulations, please find enclosed herewith Transcript of Q4 & FY24 Financial Results concall held on Monday, June 03, 2024 @ 4:30 p.m. IST, by way of conference call with investors and analyst, hosted by Ventura Securities.

The transcript of the investor and analyst conference call is available on the Company's website at <https://www.responsiveindustries.com/news-announcements/>.

Kindly take the same on record and acknowledge receipt.

For **Responsive Industries Limited**



Mohini Sharma
Company Secretary & Compliance Officer

Encl: as above

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Responsive Industries Ltd
Q4 FY24 Result Conference Call

Event Date / Time: 03/06/2024, 16:30 Hrs.

Event Duration : 30 mins 50 secs

CORPORATE PARTICIPANTS:

Mr. Rishabh Agarwal

Chairman

Mr. Bhavneet Singh Chadha

Chief Financial Officer

Mr. Mohini Purshottam Sharma

Company Secretary

Mr. Tushar Pendharkar

Ventura Securities Limited

Q&A PARTICIPANTS:

1. **Hiren Trivedi** : Individual Investor
2. **Vinod** : MOSL Pvt Ltd
3. **Yogesh Bhatia** : Sequent Investments
4. **Nishanth Sharma** : Nuvama PCG
5. **Vivek** : Individual Investor

Moderator

Ladies and gentlemen, good day, and welcome to the Responsive Industries Limited Q4 FY '24 Earnings Conference Call hosted by Ventura Securities Limited. 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 * and then 0 on your touchtone phone. Please note that this conference is recorded.

Before we begin, I would like to point out that this conference call may contain forward looking statements about the company, which are based on the beliefs, opinions and expectations of the company as on date of this call. These statements do not guarantee the future performance of the company, and it may involve risks and uncertainties that are difficult to predict.

I would now like to hand the conference over to Tushar from Ventura Securities Limited. Thank you, and over to you, Tushar.

Tushar Pendharkar

Thank you. Good evening, ladies and gentlemen. On behalf of Ventura Securities Limited, I welcome you all to Responsive Industries Limited Q4 FY '24 earnings conference call. The company is today represented by Mr. Rishabh Agarwal, Chairman; Mr. Bhavneet Singh Chadha, Chief Financial Officer; and Mohini Purshottam Sharma, Company Secretary.

I would now like to hand over the call to the Chairman of the company, Mr. Rishabh Agarwal, for his opening remarks. Thank you, and over to you, sir.

Rishabh Agarwal

Good day, everybody, and welcome. Thank you for taking your time out and joining us for the Responsive Industries Q4 FY '24 earnings call. It gives me immense pleasure to welcome everybody, interact with you guys over the con-call and we are excited to share our latest financial results and discuss the progress that we've made over the past fiscal year.

We are Responsive. We are a pioneering force in the flooring industry and we are renowned for our unwavering commitment to innovation, sustainability and customer satisfaction. Our diverse portfolio exemplifies our dedication to delivering the high quality solutions that meet the need of our global clientele.

In FY '24, not only have we achieved our financial milestones, but we made significant strides in expanding our market presence, enhancing operational efficiency and fortifying our strategic partnerships. Our performance is a testament to our team's relentless effort and our customers' trust and loyalty that they place with us. As we navigate the ever changing landscape of our industry, we remain focused on harnessing the latest technologies adopting the latest sustainable practices and driving growth through real innovation. Our vision for the future is clear to continue leading with purpose, create value for our stakeholders and make a positive impact to the communities we serve.

Today, we delve into the specifics of our financial achievements, provide insights into our strategic initiatives and discuss the outlook for the upcoming quarters. We are confident that a comprehensive approach and direction will propel us to more heights ensuring sustained growth and profitability.

Thank you for being a part of this call. Let's dive into the details of our performance and future plans.

Revenue from operations stood at INR 1,886 crores in FY '24 against INR 973 crores, up 11.64%. We had an EBITDA expansion standing at INR 261 crores in FY '24 against INR 126 crores, which is an increase of 107.36%. The EBITDA margin is at 24.03% in FY '24 against 12.94% percent in FY '23. The PAT stands at INR 161 crores in FY '24 against INR 24.39 crores in FY '23. The PAT margin that we have the baseline in FY '24 is 14.84% versus the 2.5% in FY '23.

Yeah, any, so I would like to open up the call for any questions to go ahead with the Q&A session.

Questions & Answers

Moderator

Thank you, sir. Ladies and gentlemen, we will now begin the question and answer. If you have any question please * and 1 on your telephone keypad and please wait for your turn to ask a question. If you would like withdraw your request you may do so by pressing * and 1 again. We will wait for a moment while the question queue assembles.

Our first question comes from Hiren Trivedi an Individual Investor. Please go ahead.

Hiren Trivedi

Yes. Can you hear me?

Moderator

Yes, sir.

Hiren Trivedi

Yes. Thanks for the opportunity. Just two small questions. One is on the CapEx done by your company in the last 2 years and the CapEx plan ahead. And also second is the current level of debt on your books and any plans to reduce the debt going forward?

Rishabh Agarwal

Could you repeat the second part of the question, if you don't mind? The first one was the CapEx plan. What is the second part?

Hiren Trivedi

Yes. What is the current debt levels on your books?

Rishabh Agarwal

Understood. So in terms of the CapEx numbers in FY '23-'24, we've incurred a total CapEx of around INR 180 odd crores. This particular CapEx is gone towards the upgradation of the current machineries to be able to deliver some of the technological upgrades on the flooring side that we've acquired. So

between the sustainability, the automation and between the high performance materials, this particular CapEx has allowed us to decongest the capacity and to be able to gain operational efficiencies.

In terms of the debt, we are a zero debt company, so we have zero long term debt. And we are -- our plan is to continue along the same debt free cycle for the foreseeable future. Indeed, in terms of the future debt or future CapEx, we are right now going to continue the course. And as the growth continues, we will evaluate plans down the road.

Hiren Trivedi

Yes. So any CapEx number you have in mind internally future of the company in the next 2 to 3 years?

Rishabh Agarwal

So in terms of the CapEx right now for the next 2 or 3 years, we are in a pretty good place. We are not going to increase. The next CapEx can only happen once the utilization hits about 100%, which we anticipate to hit after the next 2 or 3 years. In that time, we will be in a new CapEx cycle. But for now, for the next 2, 3 years, we are at a good level.

Moderator

Thank you, sir. Ladies and gentleman, if you have any question please * and 1 on your telephone keypad. I repeat ladies and gentleman, if you have any question please * and 1 on your telephone keypad. We will wait for a moment while the question queue assembles.

Our next question comes from Vinod from MOSL. Please go ahead.

Vinod

Yes. Just want to ask what is the break off of the domestic and international business?

Rishabh Agarwal

Yes. Anything else?

Vinod

And what is the current utilization rate?

Rishabh Agarwal

Pardon me?

Vinod

Current utilization rate?

Rishabh Agarwal

Yeah. So the breakup between the international and the domestic business is about 40% domestic and 60% export. In terms of the overall utilization, we are between 55% to 60% odd in the utilization depending on what the order book looks like. And the utilization will continue to improve in the years to come.

Vinod

Okay. And this 40-60 ratio will be maintained in future also or there will be more of exports?

Rishabh Agarwal

The 40-60 as we see it today, in the order book today, we expect it to continue in the same vein, but there is lot of interesting conversations. 40 to 60 is today is the right mix to take forward. And we continue to grow, the mix can change towards export a little bit more.

Moderator

Thank you, sir. Our next question comes from the line of Yogesh Bhatia from Sequent Investments. Please go ahead.

Yogesh Bhatia

Actually, I am new to the company. I had 2 questions. 1, when we say we have 60% exports, what is the network of exports? How is it done? Is it done B2C, B2B? Do we do it under our brand? Do we have a dealer network outside India? And what geographies do we really export to? And similarly, what is the fashion in which the series is done in India? This is my first question.

And my second question is what is our strategy? How do we plan to increase the sales? Is it through more dealer network or using the same network trying to get more sales?

Rishabh Agarwal

Okay. Thanks for the question. Very insightful question. Let me answer your strategy question. Responsive sits at the intersection of 4 different events happening at the same time. Number 1 is the China plus 1 diversification required from global supply chain especially with a focus to the U.S. Number 2, the growing operational efficiency of India from an overall infrastructure logistics and just becoming a keen place for export driven manufacturing.

Number 3, Responsive has also been the resilient flooring manufacturer for more than 30 years. We're a leader in the space. And number 4, we have the kind of scale and ability and capacity to service the large markets including the U.S, especially the U.S. Now in terms of the export strategy in terms of the export sales you discussed, export has been a major focus in the U.S in the last few years to drive up the sales especially from a B2C segment perspective.

The way the supply chain is organized is Responsive as the manufacturer we sell to our distributors, the distributors take it down to thousands of retailers with where the touch point goes to the final consumer. Where we've made significant strides is that the Responsive brand is visible to the final consumer. So the merchandising and this scale available in the retail stores as a Responsive brand.

Now this particular flooring we're talking about is 100% waterproof rigid flex system flooring which has been a big innovation from our side.

So where the value proposition is, is that we are a very strong brand with the right kind of values that we take to the customer, but combined with the product innovation and the aesthetics. So it's been a powerful kind of export message for us and export strategy for us. So in terms of the growth on export, we continue to increase the distributors, the retailers and the retail touch points to the customers. And what happens is with the scale and as time is going on more and more, we are getting a natural growth in this business. So it's that's the whole idea on this side.

Yogesh Bhatia

Okay. And in the just do -- and in the what is the strategy in the domestic market? I understand there's a lot of growth, but do we have to appoint dealers and we have to select all dealers already who are doing flooring business to this whole [ph].

Rishabh Agarwal

Yes. There are 2 kinds of customers. There's an institutional customers like the railways and the OEMs who has been a part of our portfolio for a number of years. These customers are demanding performance driven products which requires a high degree of ethnicity where we have a great advantage compared to anybody else who can be in this field. So this kind of business is driven by confluence of demand factors.

For example, railways is driven by Vande Bharat and a lot of the investments paid by the Indian Government. On the other side, the institutional bus business is driven by the orders that a lot of the bus bodies and OEs will take. So for example, in terms of the OEs, there's a big push for the e-buses. So the e-buses order books for people like Tata Marcopolo all these guys are pretty full and we are the big service vendor for them in terms of flooring. So that's been a big kind of growth story on the domestic side. In terms of the distributor dealer network, we continue to grow it. But, the institutional engagement in India has been a big driver for us.

And one other piece is the consumer side in India. So in terms of the B2C engagement in India, we are planning a ton of customer experience centers, about 100 plus experience centers over the next 3 years. So this is a combination of what we are looking to do between the COCO model, which is a Company Owned Company Operated sort of experience centers to spawn the franchisee option in India where you get a vast dealer and distributor presence.

Now this is all to do with the residential business and it's a big push to get the product into the residential ethos of India and to start to compete with the category of tile. So if you talk about the big tile brands like Kajaria or Somany, we start to compete with them for this particular marketplace in India. So that's another piece that is domestically going to drive this.

Yogesh Bhatia

Yes. And I also believe that there is some sort of antidumping duty for vinyl flooring that comes from, I think, China and Taiwan, right? So can you explain me the competitive landscape in India? Is it very competitive? Or there is a lot of brand recognition or recall and people go for branded products? How does that work?

Rishabh Agarwal

So the competitive landscape on this particular product segment, which is vinyl flooring or resilient sheet vinyl, we've been the leaders in India for more than 30 years. We established this as more of an export driven business in the late '80s, early '90s and since then we've grown the technology and processes.

So in terms of the way we look at competition, it is more to do with the global landscape, right. So there are global European players, American players, players from Korea and so on where we look at it from a global pie. So if you look at this business, it's about a \$45 billion global business and every -- and there's a number of large companies competing for this pie.

In terms of the antidumping to India, it's a protection against the low cost, low value Chinese suppliers, by extension Taiwanese suppliers who dump product, they create a bad name in the market. There are a lot of failures, it's not right up to spec. And where we are able to do very well is with the brand, with the quality and the service, right. So that's the main value proposition.

Yogesh Bhatia

Okay. So our price points are way ahead of what is getting imported. Is it? Is that true?

Rishabh Agarwal

Our price points are definitely at a premium vis-a-vis imports.

Yogesh Bhatia

And if I may ask one more question. Our receivable days -- our receivables are quite high. So is it a function, because we do a lot of B2B business and it's export, so it takes a lot of time for the transactions to get completed or what is the reason and how do you see this number changing going forward?

Rishabh Agarwal

So a good question. So the collection days have in the current year have gone up a little bit because our business has improved dramatically over the year. So with the improvement of the margin and the business, the quality of the customers that we are selling product to has been constantly improving. So it's a matter of a cycle. So this is a cycle this year that has set up the collections where it's looking longer.

As time goes on, the collection cycle will come down and we will end up with the collection cycle looking more robust. So this was in a way, the collection cycle is more to do with the institutional customers to do with the sort of the large buyers. And a lot of these POs have now been executed and the collection cycle will start to sort of normalize as time goes on.

Yogesh Bhatia

Okay. So like right now, I see as on 31st March, it is INR 500 crores of receivable on a 1,000 crore revenue, so which is quite large for our consumer product. So any ballpark that we go to 150 days, 100 days going forward? Any thoughts on that?

Rishabh Agarwal

Yes. So the receivables that you're talking about, first of all, it will come down dramatically as each day goes on. So there's a lot of collections coming into the system. Secondly, the receivables that are due are from marquee A-plus data type customers. So there is no issue about delinquencies or things like this.

So the receivables are in a really good place. And as the revenue and top line continues to grow up, the receivable numbers will remain consistent to about where they are. So we expect the receivable number as a percentage to come down as the time goes on and also the number of days for a receivable to come down as the time goes on. So this whole situation will look even more robust as in the next coming quarters, as the quarters increase.

Yogesh Bhatia

Okay. Operator, can I ask one more question? Is there no one? Is it okay?

Moderator

Sure, sir. You can.

Yogesh Bhatia

Yes. So, and one more thing. I was looking at your financials. Over the last 2 years, there has been a significant shift in our margins. So can you explain me what is the reason for the change in our operating margin? Is it only because of gross margins? And is it, if it is because of the raw materials, then what has changed in the last 2 years 3 years?

Rishabh Agarwal

So the raw material has not been a huge impact on the margin, right? So the main reason, the margins have expanded and changed is to do with the quality of the product that is being produced in the plant and the quality of the customer who is purchasing the product. So it's everything to do with our higher value items, it's to do with to give you an example, You know Vande Bharat Indian Railway, they have upgraded the specification in a meaningful way. So those specifications have meant that you have more of a more performing type products into the marketplace. As a consequence of that, we are able to expand our margins.

It's just an example in the way that we have other customers who follow the same suit. So we've been able to drive the more value centric high quality stuff through the market. So the focus has been on the margin accreditation for us. Therefore, we are able to make this change in the margins in the last year.

Yogesh Bhatia

Okay. So this is the LVP mainly because of you are saying higher quality product or value added product, the margins have gone up, realizations have gone up ideally?

Rishabh Agarwal

That's right.

Yogesh Bhatia

Okay. Very good to hear. If there is anything, I'll get back in the queue. Thanks for your answer.

Moderator

Thank you, sir. Our next question comes from Nishanth Sharma from Nuvama PCG. Please go ahead.

Nishanth Sharma

The first question from my side is about the what is the current order book has on hand? And in terms of exports and domestic business, what is the difference in terms of margins and the working capital requirement in each of these segments?

Rishabh Agarwal

So the order book that we have on hand right now is for the next 3 to 6 months. So we are pretty good in terms of the next couple of quarters in terms of what to run through the plant. To answer your question on margins, the domestic market and even the export business is now delivering relatively similar margins because the focus has been on the value added items in both the segment. So in the case of exports for the U.S. market with the SPC flick and the rigid LVT products, there's been a big B2C kind of focus and push through the distributors. So that has yielded in good margins for the business. And in terms of the domestic business, the institutional customers like your railways and OEs have also yielded good margins for us. So one of the key focus for the company has been to drive good margin, good sort of products through the business and through the manufacturing. And this year's result is a testament of that effort.

Nishanth Sharma

Okay. And second question would be a bit from a vision point of view. Let's say, 3 years or 5 years down the line, what is our vision in terms of top line?

Rishabh Agarwal

Could you repeat that? I think top line and could you repeat the question? I didn't understand fully.

Nishanth Sharma

Yes. I'm saying from a 3 years or 5 years down the line, what is our vision in terms of top line that we can achieve? And which are the points that out of which segment will be driving the growth going forward?

Rishabh Agarwal

Okay. So in terms of the top line in the next 3 to 5 years or so, we can hit about INR 2,500 crores in terms of top line. So in terms of the confidence, I would say in the next 3 years or so we should get there. Now in terms of the margins, we will be able to maintain the similar EBITDA margin going forward year-on-year, because now the baseline on customers both in export and domestic are pretty set. And we need to just keep forward driving the revenue side of things. So we need to drive the business.

Nishanth Sharma

Okay. And will the current capacity be good enough for at least INR 2,500 crores in next 3 years time frame. Will that be good enough or will you continue capacity addition over there?

Rishabh Agarwal

Absolutely. So right now we are in a utilization state where the year-on-year growth allows us to hit these numbers in the next 3 years without adding any CapEx or capacity is good enough up to these numbers. Once we get here, then we will revise for the next growth target what to do next.

Nishanth Sharma

And I guess order books, we have about INR 251 odd crore of borrowings. So will that be repaid off? That will be more like a continuation of a working capital kind of a loan?

Rishabh Agarwal

That is a working capital kind of a loan. So the working capital is to just finance the operational mismatch between cash flows. That's all.

Nishanth Sharma

Okay. And broadly, previous participant asked this question, but I unable to listen properly. In terms of working capital, most of the capital is on the data side, which partially compensated from inventory [Technical Difficulty] and part of the week, is improving or increasing.

Moderator

Hello. I'm so sorry to interrupt you. Could you please place your phone a bit far away and talk?

Nishanth Sharma

Sure.

Moderator

Yeah.

Nishanth Sharma

Is it okay?

Moderator

Yes. Much better, sir. Please go ahead.

Nishanth Sharma

Yeah. Hello?

Rishabh Agarwal

Yes, go ahead.

Nishanth Sharma

Sorry. So I was repeating that in terms of working capital gain, we have seen that the credit debtors is a bit high which was compensated from reduction in inventory days and also increase in payable days. So going forward is the if you have seen that there would be better better or the increase in sales inventory, can it go up? And in that scenario, the working capital days as a whole will be somewhere in the 160, 170 days as it was in FY '24 or it is likely to come down?

Rishabh Agarwal

So the answer to working capital that it is very likely to come down in the next fiscal for us. There was in this year, in the past year, there was a sudden jump in interest rates that happened across the board. So the sudden jump in interest rates raised everybody's cost of holding products, holding goods and holding stock. So we our working capital draw increased to support the U.S side of the business to help our distributors to continue to grow and continue to sell the business.

So this was the support from our side. So now this cycle is more or less over and we don't expect interest rates to continue to go up. So we think the working capital cycle next year will definitely come down by a number of days.

Nishanth Sharma

Just last question from my side. Could you help us understand who would be our largest customer or top 5 customers both from the export as well as from the domestic side?

Rishabh Agarwal

So on the domestic side, we have the Indian database. We have a number of bus body builders like Tata, Marcopolo, Ashok Leyland, these guys. In terms of the exports, we regularly export to the U.S so we have some distributors like Harry Gan, Lifewell, All South Flooring who make up our top customers.

Nishanth Sharma

Thank you, sir. I'll call back in queue and all the very best.

Moderator

Thank you sir. Ladies and gentlemen, if you have any question please * and 1 on your telephone keypad.

Our next question comes from Vivek, an Individual Investor. Please go ahead.

Vivek

Yes. Thank you. See, there's a little bit of confusion between the results that you published and what this website screener is reflecting as your annual numbers. Am I right in saying? Yes, sorry. Just to clarify, there's an external website. But is your number for the year INR 671 crores and bottom line of INR 31 crores for the full year?

Rishabh Agarwal

I'm sorry. What is your question? I've not understood your question. The top line is

Vivek

My question is, what is your correct annual turnover top line?

Rishabh Agarwal

The top line the annual top line is 1800 -- INR 1086 crores.

Vivek

1,086 and INR 161 core in your net profit, right?

Rishabh Agarwal

That's right.

Vivek

Okay. So you posted some stellar results. I'd like to understand the jump in profits like 6x. If you can kindly throw light on how this came about and what is a sustainable growth going forward, both top and bottom line? Thank you.

Rishabh Agarwal

Yes. So the growth in the margin and the growth in the business has emerged from the cementing of our high value flooring products in both our institutional customers domestically and our export customers mostly focused on the U.S. So in terms of the net profit, EBITDA and the revenue numbers that we see here, it is a baseline that we have established where we've done through our sales and marketing activities driving the high value items to the plant.

In terms of the growth in the following years, we expect to maintain the margins and the margin driven products and continue to grow the top line based on the current margins that we established in FY '24.

Vivek

11.5%. You expect the same trajectory to continue?

Rishabh Agarwal

Yes, absolutely. So we expect the same trajectory to continue in terms of the top line and we expect the same net margins to continue, similar net margins to continue through the year.

Vivek

Okay. Which is around 16% of your net margin or net profit. So that will continue, that's trajectory will continue.

Rishabh Agarwal

That's right.

Moderator

Thank you, sir. There are no further questions. Now I hand over the floor to the management for closing comments.

Rishabh Agarwal

Yes. I would like to thank again all the participants for taking our time and attending our call. We will endeavor to hold a con-call every quarter to keep you updated about the latest developments of the company. In case you have any queries, feel free to reach out to us at cs@responsiveindustries.com, and we'll be swift in responding back to you. Thank you everybody for your time this afternoon.

Moderator

Thank you, members of the management. Ladies and gentlemen, on behalf of Ventura Securities, that concludes this conference. Thank you for joining us and you may all disconnect your lines now.

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- Note:**
1. This document has been edited to improve readability
 2. Blanks in this transcript represent inaudible or incomprehensible words.