Management Discussion

Pratik Singhvi - Chairman and Managing Director, Euro Pratik Sales Ltd.
Good morning everyone. I am Pratik here. Firstly, thank you for taking the time to be with us today. We are pleased to share an overview of the significant strategic progress made by Europati Sales Ltd. And the opportunities that lie ahead for our business. The company has taken one more step in its growth journey by acquiring controlling stake in fabric. Now I will request Mr. Kulmi Sagu, the COO of the company to give you details about the acquisition. Over to you Kulbin.

Kulmeet Sagu - Chief Operating Officer, Euro Pratik Sales Ltd.
Good morning everybody. Pleasure talking to you all. The Euro Pratik is one of the leading and fastest growing players in the organized decorative wall panels and premium laminate industry with a strong reputation for design innovation and fast fashion interior surface solutions. Today the company holds and leading position in organized decorative wall panel market and offers more than 3,750 SKUs across 30 plus product categories. Our flagship brands Europartik and Zorio cater to the upper middle class and luxury segments.

We have also built a strong distribution network spanning 25 states, 6 unit territories, 148 cities and more than our 205 distributors. As on date with this strong foundation we are pleased to announce the acquisition of a 56% stake in the business of Fabod for an investment of up to 42.7 crores, including a capital inclusion of 8.4 crores. The transaction is expected to be completed by October 8, 2026 subject to customary closing conditions and will be funded through internal accuracy. Fabwood has established a strong market presence in the southern Indian market and provides a scalable platform for future growth.

We see this acquisition as an important step in our strategy to build a more diversified integrated interior solution platform. Fabboard provides europartic with an entry into the timber and value added wood products segment including timber engineered wood solutions, cladding products, doors and architectural wood applications. The acquisition expands our product portfolio into adjacent categories and significantly broadens the company's addressable market while creating opportunities to offer more comprehensive range of interior solutions to our customers.

Established in the year 1999, Fabwood has built a strong market presence in South India and serve the diversified customer base comprising of architects, interior designers, furniture manufacturers, contractors, builders, OEMs and homeowners. Fabulous has established operating infrastructure. It has an advanced processing capability and experience in timber and agriculture wood applications. We believe the combination of Fabwood capabilities and Euromatic resistance strength create several meaningful opportunities.

First, there's a significant cross selling opportunity. Fabric brings established customer relationship while Europathy brings an extensive panel distribution network. By leveraging these complementary strengths, we can introduce a broader range of products into our existing customers while also expanding into the range of Abbot's portfolio into newer markets. Second, this acquisitions have strengthened our presence in South India. Third, the acquisition expands our ability to address a larger share of customer interior requirements with products spanning decorative surfaces, laminates, timber veneers, engineered wood cladding and doors.

We are moving towards a more comprehensive interior decorative solutions offering. We also see an opportunity to combine fabulous paper processing and architectural expertise with European designed approach, brand building capabilities and distribution strength. This combination can

support product development, improve market visibility and help accelerate and scale up the businesses. Importantly, we view this acquisition not merely as an addition to another product category, but as a step towards building a broader platform across the interior decorative solutions value sheet.

The acquisitions of Eurovinia World, Chawla Brothers and Mao of fabgood have strengthened europatik's position as an integrated intervention platform by expanding our product offerings, geographical reach and value chain presence. Looking ahead, we remain optimistic about the long term opportunity in the interior and decorative solutions industry. A rapid urbanization, increasing infrastructure development, rising disposable incomes and growing demand for premium and comprehensive interior solutions are creating attractive opportunities for organized players with a broad product profile portfolio, strong geographical presence, enhanced distribution capabilities in addition to complementary businesses we believe europatik is building a stronger platform to address these opportunities.

Our focus will remain on integrating these businesses effectively, leveraging the available synergies and continuing to build differentiated and trusted brands in the interior solutions space. I would personally like to thank all of stakeholders for their continued trust and support. Their confidence in our vision has been instrumental on a growth journey. Thank you very much.

Questions & Answers

Operator
Thank you. Ladies and gentlemen, we will now begin with a question and answer session. Anyone who wishes to ask a question may enter STAR followed by one on their touchstone telephones. If you wish to remove yourself from the question queue, you may enter STAR followed by 2. Participants are requested to please use only handsets while asking a question. We will wait for a moment while the question queue assembles. The first question is from the line of Vivek Gupta from Star Investments. Please go ahead.

Pratik Singhvi - Chairman and Managing Director, Euro Pratik Sales Ltd.
Hello, can you hear me?

Operator
Yes, we can. Please proceed. Sir.

Pratik Singhvi - Chairman and Managing Director, Euro Pratik Sales Ltd.
Yeah, hi. Thanks for the opportunity. Sir, I just wanted to understand. Will Eurokratik maintain the Fab would as an independent brand in South India or gradually integrate it into a unified national brand strategy? It will remain as a. Hello, Pratik here. It will remain as a individual company. As we have the majority controlling stake in the company. We would let Mr. Tushar Ganatra overview it and take this company currently from southern India mainly to Pan India in the coming future. So I wanted to add over here, a fabgood brand is well recognized in the timber and related products.

So we want to take advantage and the benefits from the brand which has been created by the Fabgood over a period of last more than 26 years. And we will keep leveraging that particular brand and extend it to the entire India. Okay. Currently we have a network of 205 distributors across 148 cities. So I just wanted to understand how quickly can fabwoods products we introduced through this network and what proportion of the existing network is suitable for timber and value added

wood products.

Kulmeet Sagu - Chief Operating Officer, Euro Pratik Sales Ltd.
Hi, this is Kulmeet here. We already have a very established network and Fabwood will very quickly benefit the Indian market because they are pioneers in natural timber woods and they have got their sawmill and they have got their warehousing. And we intend to leverage our network and make sure that they can penetrate ASAP into the Indian markets.

Pratik Singhvi - Chairman and Managing Director, Euro Pratik Sales Ltd.
Okay. Okay. Thank you, sir.

Operator
Thank you. The next question is from the line of Nachiket Kale. Please proceed.

Nachiket Kale - Analyst
Yes. Hi sir. Thank you for the opportunity. Just picking up on the previous one. You said that you have targets and ambition to increase your sales nationwide. Since we are as of now concentrated more in the south. So is there, could you lay out a roadmap for it and how could we really keep track of the progress on that front?

Pratik Singhvi - Chairman and Managing Director, Euro Pratik Sales Ltd.
Yeah, this is Alpesh here. So in terms of the Fab board, it is well recognized brand in the southern part of India with a fantastic product portfolio. So it is an identical synergy between the Europik and the Fabwood in the Europate has a planning presence through the distribution network. So combining both strengths together we will be able to expand the fabric portfolio and the products across India in the distribution network of Europartee Group, including Roryu.

Nachiket Kale - Analyst
Okay, okay, got it.

Pratik Singhvi - Chairman and Managing Director, Euro Pratik Sales Ltd.
And

Nachiket Kale - Analyst
Another question on the recent acquisition. So total investment I guess for the 56% stake is around 43 crores, which includes 8 and a half crores for capital infusion. So could you explain the reasoning or valuation methodology and certain parameters which must have been considered while arriving at this valuation?

Pratik Singhvi - Chairman and Managing Director, Euro Pratik Sales Ltd.
Yeah, so 56% stake we are acquiring for the consideration of 42.7 crore rupees more precisely, which includes capital infusion in the form itself. So on a totality basis last year around FY26 would have done a turnover of 45 crore rupees. And with the profitability of around 5 and a half crore rupees and going forward this year we would be targeting on a standalone basis at 50, 53 crore rupees as their projected turnover for FY27. And going forward we anticipate to make a pat on a trailing twelve months basis around seven and a half crore rupees.

So you can say the valuation would be around 10, 11pmultiple considering the the value of the company.

Nachiket Kale - Analyst
Got it. That's great sir, thank you so much. So just further on this 8 and a half crore capital infusion which you've done, so what is the intended utilization for this and will there be further capital infusion required going ahead?

Pratik Singhvi - Chairman and Managing Director, Euro Pratik Sales Ltd.
So 8.4 crore rupees capital infusion is being intended for the additional working capital which will require in the firm for the expansion of the business. And we anticipate going forward we will not require to infuse more capital into the firm. The retained earnings and the internal accruals will be sufficient to fuel the growth. Having said that, this particular Fab Wood is also a completely a debt free entity. So going forward we have a headroom available to leverage the company's balance sheet in case required.

Nachiket Kale - Analyst
Okay, great. So thank you so much for the clarification.

Operator
Thank you. The next question is from the line of Nimesh Verma from Vexora Securities. Please go ahead.

Nimesh Verma - Analyst, Vexora Securities
Good morning sir. I had set of two questions. The first one, what was the key strategic rationale behind acquiring Fabul and what capabilities does it bring to Europratic that could have not been developed organically?

Kulmeet Sagu - Chief Operating Officer, Euro Pratik Sales Ltd.
Hi, this is Kulmeet here. Try to understand the synergy out here. It is one side Fabgoed which is a 26 year old legacy having a very good understanding about an actual wood product and they have got a firm holding in south of India. On the other side Europatic has got a pan in a network which you understand now we have a very good strong market presence in south of India. Plus because Fabwood is directly connected to OEMs, architects, interior designers it has got, it has got a direct leverage to the influencers that put it back that way we get, we get a direct access to expose our product line to those influencers on one end.

On the other end because these influences are common Pan India we are able to offer these products to these influences Pan India as well. So fabric will get an exposure on Pan India on these products. Now these influencers are currently going to two different vendors. We are supplying them decorative surfaces and you know, designer laminates. On the other hand where the wood requirements are there, timber requirements are there to support from other particular vendor to source it when they're doing their interior spaces.

So they will get both on the same platform and the same influencer can source it through us. So this will help in brand building, will help us adding one more category wherein these current influencers who are, you know, Europa thick buyers, they will get exposure to wooden products as this is a part of, you know, an interior construction part. So it's going to come, it's going to come in use out there. So this is, this synergy is a win win situation both ways. And we look, we look at, we look at a good substantial growth for one side for europatik wherein we will have a product to offer more in our bandwidth and fabric to get exposure Pan India directly on day one.

Nimesh Verma - Analyst, Vexora Securities
Got it. My second question would be does the timber business typically have inventory holding and procurement cycles that differ from your existing decorative product business? If so, how should investors think about the potential impact of Fabwood on the company's working capital requirements?

Pratik Singhvi - Chairman and Managing Director, Euro Pratik Sales Ltd.
So yes, timber business is as you understand it is like a natural product similar to what marble is. So it needs a lot of experience, knowledge and bandwidth to do a timber business. So, so which Fabwood has demonstrated over the last 26 years. So we are confident that like it can integrate well with our company as regards to working capital. They are very, very efficient in that way. And I guess the ROC is on the similar lines to Euro Pratik. So it's a, it's a high profit business, high margin accretive business.

So yeah, it will gel well with our balance sheet as well. So here I wanted to add in terms of the actual numbers, if you review the March 26 numbers currently, so what Pratik has said that the investment in the business is around 13 to 14 crore rupees which is generating the turnover of 45 to 46 crore rupees. And predominantly the investment is into the working capital. So on a networking capital basis if you ask me, typically networking capital cycle is 85 to 95 days, which cash conversion cycle is 85 to 95 days which gives almost four times of the turnover on the investment in the working capital.

Net working capital.

Nimesh Verma - Analyst, Vexora Securities
Got it sir. Thank you for the clarification. That's it from my end. All the best.

Operator
Thank you. Participants with questions may please enter star followed by one on their handsets. The next question is from the line of Soumya Gupta from VR Advisors. Please go ahead.

Soumya Gupta - Analyst, VR Advisors
Hi, good morning. Congratulations for the acquisition. I have a couple of questions. So firstly, what proportion of Fabwood's timber requirements is imported and how exposed is this business to timber price and currency fluctuations?

Pratik Singhvi - Chairman and Managing Director, Euro Pratik Sales Ltd.
Yeah, so the raw material is predominantly 90, 95% is the imported raw material. More precisely these are being imported from the Europe and certain US and those continents. Currency fluctuations? Yeah, the business is being exposed to currency fluctuations but the margins are pretty well protected and any currency fluctuations or any increase in the relevant raw material prices are being efficiently passed on to the customers. And this trend is being noticed historically and hence the margins are very well protected because these are the natural products and for in India typically the people who wants to use the natural products are ready to pay the prices and that price is very well covered for currency fluctuations, raw material prices increase or any other price increase in the manufacturing processes.

Soumya Gupta - Analyst, VR Advisors
Okay, so to what extent this increase is passed on to the customers.

Pratik Singhvi - Chairman and Managing Director, Euro Pratik Sales Ltd.
So I said that almost any increase in the raw material prices on account of prices as well as the currency fluctuations are being 100% passed on to the customers.

Soumya Gupta - Analyst, VR Advisors
Okay, okay, okay. Secondly, what are the medium term margin aspirations for Fabgood once procurement and distribution and cross selling synergies with Europe are fully realized?

Pratik Singhvi - Chairman and Managing Director, Euro Pratik Sales Ltd.
So the synergy is the leveraging the distribution network. What Europratic has So we anticipate to start with maiden growth of 20% in the Fabwood business and going ahead moment we expand this to the Pan India business. We are very much confident that we will be able to generate higher growth rate in the Fab wood business.

Soumya Gupta - Analyst, VR Advisors
Understood. Lastly with this acquisition we. What guidance you guys are targeting for FY27 and how is the company is progressing against this target so far.

Pratik Singhvi - Chairman and Managing Director, Euro Pratik Sales Ltd.
So yeah, this year we are. You can. You can see the first quarter we did the highest ever revenue and we are on a growth trajectory. We are confident to grow at least top line by 35 to 40%.

Soumya Gupta - Analyst, VR Advisors
Okay. Thank you. Thank you. All the best.

Operator
Thank you. The next question is from the line of Harsh from Cabra family office. Please go ahead.

Rahul Chako - Analyst, Equintus
Yeah. Hi, I'm Harsh from Kapra family offices. Firstly congratulations to the company and management for the acquisition. My question is how does Fabwood fit into Europatic's growth strategy?

Kulmeet Sagu - Chief Operating Officer, Euro Pratik Sales Ltd.
Hi. See Eurobatic's growth strategy is decorative surfaces and interior products and Fabood is offering architectural and structural wood products. So they are in sync with both and automatically in a long term where Yorupathi looks at a vision of being the leading brand in India is in all the one stop shop solution for all interior products. This. This synergy works well for us.

Pratik Singhvi - Chairman and Managing Director, Euro Pratik Sales Ltd.
Okay. Okay. Thank you.

Operator
Thank you. Participants with Questions may enter STAR and 1. The next question is from the line of Santosh Shetty from LGC Capital. Please go ahead.

Pratik Singhvi - Chairman and Managing Director, Euro Pratik Sales Ltd.
Hello sir. So like my first question is company has a net debt free balance sheet. So should investors expect further acquisition adjacent categories or will the near focus be on integrating the three

acquisitions already completed? Yeah, I'll be sure the companies are net debt free and company is a consistent cash flow on a month on month basis. If we talk about this particular fabric acquisitions the Fab acquisition would be purely funded through the internal approval. Total infusion is required 42.7 cr rupees and the company has enough internal accruals to fund this particular acquisitions under the term sheet.

Also there is a payment schedule which is available for the paying of the particular consideration the 120 days from the date of takeover. And the company has cash available on the balance sheet which is to be utilized for the. Having said that going forward if any opportunity comes where the company required any stopgap arrangement in the form of a bridge loan for the acquisitions might consider the in future. That's great. So just another question. With three acquisitions completed in a short period how has the organizational structure evolved to ensure adequate management Attention across all businesses like

Nirma - Analyst, Unique PMS
Without diluting focus on the core franchisee.

Pratik Singhvi - Chairman and Managing Director, Euro Pratik Sales Ltd.
Yeah. So the beauty of all the three acquisition is that we have retained the management team of the corresponding acquired entity and we have followed the concept of division of responsibility based on the expertise of each party. So wherever the Europatic has expertise in a particular function post acquisition that function is being entrusted by the Europi and Europratic is presently doing that function. So company has enough management bandwidth including CEO CSO of all are at a corporate level supported by the team and in terms of the front end the marketing functions is being taken care of by the respective acquired entity and they have become more focused and that that has given a really good result in, in our past two acquisitions.

Understood sir, thank you so much for answering my questions. All the best.

Operator
Thank you. Participants with Questions please enter Star followed by 1. The next question is from the line of Nirma from Unique PMS please.

Nirma - Analyst, Unique PMS
Yeah, thank you for the opportunity. So my first question is what will be the market size or the total addressable market for this timber value added wood products category?

Pratik Singhvi - Chairman and Managing Director, Euro Pratik Sales Ltd.
So yeah Pratik here, timber market has been there for few decades I think. I guess none of the interior construction can be completed without a timber. But I, I, my, my guess is the timber market should be around 3 to 4 billion dollars for, for the Indian market.

Nirma - Analyst, Unique PMS
So the competition would comprise of organized as well as unorganized players in this.

Pratik Singhvi - Chairman and Managing Director, Euro Pratik Sales Ltd.
Yeah, yeah, yeah. Having said that Fabwood timber business is like a natural product. It is uh, it is, it has a few entry barriers just to have a proper understanding of the wood, the suppliers, the customers. It is, it is not sold on catalogs, it is sold on the gradation of the wood. So Mr. Tushar

Ganatra has a rich experience of more than 26 years. So he has been doing this day in, day out and his experience will help us scale this business to Pan India in the coming future.

Nirma - Analyst, Unique PMS
Okay, on this Pan India distribution. So how will the distribution work? Will fabric have separate stores or these would be in our existing stores or how would that work?

Pratik Singhvi - Chairman and Managing Director, Euro Pratik Sales Ltd.
So like all our Europe distributors and dealers, they are not promoting these, most of them are not promoting these solid wood panels currently. So it's a direct fit for them. They would be selling in their own showrooms. Currently we don't require a special showroom to sell this solid wood so the integration can happen much faster. And basically what we are providing this product is complementing to the premium projects. So it's a win win for the distributors, the company and Fabul as well.

Nirma - Analyst, Unique PMS
Okay. And lastly, so any other specific categories that we would be interested in entering? You mentioned you want to be a interior player, a comprehensive player. So any specific categories?

Pratik Singhvi - Chairman and Managing Director, Euro Pratik Sales Ltd.
So we have kept our, I would say all options open. The product which are fitting in the overall interior decorative or a surface decorative industries and which will have a natural synergy with the Europatic business. That particular product we would be considering. And having said that, our expertise in terms of the procurement are well established. Distribution network and brand. These three are the important pillars which we want to leverage going forward for any decorative product into the interior decorative or the surface decorative industry.

Nirma - Analyst, Unique PMS
Thank you and all the best.

Operator
Thank you. The next question is from the line of Rahul Chako from Equintus. Please go ahead.

Rahul Chako - Analyst, Equintus
Hi. Congratulations on the new acquisition. Just like to know would it be possible for you to provide a margin difference that you all are having within the good panel products versus the other products in your portfolio?

Pratik Singhvi - Chairman and Managing Director, Euro Pratik Sales Ltd.
Margins are this good panel business is again a very good margin and not a typically a commoditized business. Presently also on a PBT level if you ask me, the margins are around 24 to 25%. Up till now Fabwood was a proprietary concern so it was paying a highest tax in terms of the taxations. Now going forward we have made it a LLP structure so there will be a saving in terms of the tax. Also we anticipate around 15% on the fact level we would be earning from the fab food.

Rahul Chako - Analyst, Equintus
Okay, and my second question was for the 33, 5% guidance that is there for FY27 on the revenue top line. What kind of margins currently are looking for this? Could we still expect about 30% as the previous year? 35, 36%.

Pratik Singhvi - Chairman and Managing Director, Euro Pratik Sales Ltd.
So if you ask me, the core products of Europarty can glorio we are running the same gross margin and we will be delivering the same gross margins from our core businesses from the acquired entities. The acquired integers are different. One is a retail, another is a wholesale come literal. And now the sparboard is another third verticals. So there the margin would not be as high as with as compared to Europe. These are not the inorganic acquisitions, something like a semi organic acquisitions. What we have done in the last one year wherein a lot of boost in terms of the sales gets reflected at Europhi Group level.

So we will be able to maintain the margins what we have earned in the past and from the core businesses and from acquired entities there would be a margins which would not be equivalent to the core businesses. But definitely on a consolidated basis we will be able to generate a pat margin of around 20 to 22%. Fair enough. That answers my question. Thank you.

Operator
Thank you. To ask a question, you may enter star and 1. The next question is from the line of Yash Mehta from SP Capital. Please go ahead.

Yash Mehta - Analyst, SP Capital
So thank you for the opportunity. I have got a couple of questions so just wanted to ask. While the company continues to report year on year improvement in EBITDA and profitability and also the quarterly performance appears to fluctuate on a sequential basis. So is this attributed to seasonality, product mix or timing of sales? And how should we look at the underlying earnings trajectory of the business?

Pratik Singhvi - Chairman and Managing Director, Euro Pratik Sales Ltd.
Yes, certainly the business of the company in the interior decorative segment is not even spread across the year. There is a flavor of seasonality in all the four quarters generally Q1 as compared to other quarters doesn't give the impressive numbers because of the seasonality. Having said that, on an overall basis, on a yearly basis, that would be guidance what we are running or growth strategy, what we are following that we, we endeavor to achieve the same growth strategy.

Yash Mehta - Analyst, SP Capital
Got it. Got it. And also with the company's revenue contribution in wall panels is gradually reducing and the contribution from other products categories are increasing. So how does the management sees the revenue mix evolving over the next few years? And are there any new product segments or adjacent categories that the company is looking to enter to further diversify their portfolio?

Pratik Singhvi - Chairman and Managing Director, Euro Pratik Sales Ltd.
So yeah, Pratik here, revenue of the wall panel is not decreasing. It's just that the non core products for the acquired entities are being sourced directly by the acquired entities. So you can see the revenue is not being captured at the parent level. Secondly. Yeah, in terms of products we have been growing our product last last month we have, we have launched a few products which are directly to be installed on the wall. And one more very promising product is being launched in the first week of October.

So we are pretty confident of growing the organic business as well as we'll keep on adding new products through organic as well as our semi organic positions. Understood, Understood. Thank you so much. Thank you.

Operator
Thank you. The next question is from the line of Soumya Raghavanchi from Nirva Securities. Please go ahead.

Soumya Gupta - Analyst, VR Advisors
Thank you so much. Good afternoon sir. So I only had one question from my end. Do you expect future growth to be driven primarily by premiumization and higher value products or by deeper penetration into broader price segments across India?

Pratik Singhvi - Chairman and Managing Director, Euro Pratik Sales Ltd.
So as far as the growth is concerned for Eurobatic, we are very clear we want to be in the premium niche segment we don't want to get into any kind of commodity products secondly, this aspiration level of the country is growing premium products market is growing and we are confident having the network in terms of contract manufacturers as well as dealer distributor being one of the leading branded player in this segment so we are quite confident of growing at a much faster pace than the market is going to.

Operator
Okay sir thank you so much thank you ladies and gentlemen we will take that as last question I now hand the conference over to Ms. Ayushi Gupta for closing comments I would like to thank the management for taking their time out and I would also like to thank all the participants if you have any queries feel free to contact us we are MAFG in time Private Limited Investor Relation Advisors for Europatic Sales Ltd. Thank you thank you on behalf of Europratik Sales Ltd. That concludes this conference call thank you all for joining us and you may now disconnect your lines thank you.