



# Cello World Limited

(formerly known as 'Cello World Private Limited')

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May 31, 2024

<b>BSE Limited</b> Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400 001 <b>Scrip Code: 544012</b>	<b>National Stock Exchange of India Limited</b> Exchange Plaza, C-1, Block - G, Bandra Kurla Complex, Bandra (East), Mumbai - 400 051 <b>Symbol: CELLO</b>
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## Sub: Transcript of Investor Call

Dear Sir(s)/ Madam(s),

Pursuant to Regulation 30 of the Listing Regulations, copy of transcript of the Investor call held on May 27, 2024 at 09:00 a.m. (Indian Standard Time) on the audited financial results for the fourth quarter and year ended March 31, 2024, is enclosed.

The said transcript is also available on the Company's website.

This is for your information and records.

Thanking you.

Yours faithfully,

**For Cello World Limited**

**Hemangi Trivedi**

**Company Secretary and Compliance Officer**

**Encl: a/a**



“Cello World Limited  
Q4 FY '24 Earnings Conference Call”  
May 27, 2024

**Disclaimer: E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 27<sup>th</sup> May 2024 will prevail**



**MANAGEMENT: MR. PRADEEP RATHOD – CHAIRMAN AND MANAGING  
DIRECTOR – CELLO WORLD LIMITED  
MR. GAURAV RATHOD – JOINT MANAGING DIRECTOR  
– CELLO WORLD LIMITED  
MR. ATUL PAROLIA – CHIEF FINANCIAL OFFICER -  
CELLO WORLD LIMITED**



**MODERATOR: MR. MANOJ MENON - ICICI SECURITIES**

**Moderator:** Ladies and gentlemen, good day and welcome to the Cello World Q4 FY24 Earnings Conference Call hosted by ICICI Securities. 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 are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict.

As a reminder, all participants' lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star, then zero on your touch-tone phone. Please note that this conference has been recorded.

I now hand the conference over to Mr. Manoj Menon from ICICI Securities. Thank you and over to you, Mr. Menon.

**Manoj Menon:** Hi, everyone. On behalf of ICICI Securities, it's our absolute pleasure and privilege as always to host the management of Cello World for the results conference call. Today, the management is represented by Mr. Pradeep Rathod, Chairman and Managing Director, Mr. Gaurav Rathod, Joint Managing Director and Mr. Atul Parolia, CFO. Now, over to the management for the opening remarks, post which will open the floor for Q&A. Thank you and over to you, sir.

**Pradeep Rathod:** Good morning, everyone, and a very warm welcome to our company's earning call. Joining me is our CFO, Mr. Atul Parolia, and our Investor Relations Advisor, SGA. The results and presentations are available on the Stock Exchange and our website. I hope you had a chance to review them. This past year has been exceptional, characterized by our successful IPO to strong performance across all segments. Despite very sluggish demand in the consumer segment, we achieved 11% topline growth and accelerated profitability.

In Q4, we saw a 5% year-on-year rise in revenue and a remarkable 20% year-on-year growth in EBITDA. Driven by the promising demand in hydration, back-to-school, and furniture segments, the establishment of a new Rajasthan facility will further strengthen the glassware business, setting the stage for robust growth over the next two years. Looking forward to FY25, we anticipate a growth of around 15%-17%, fueled by all segments and the new plant. We expect EBITDA margins to remain steady at 24%-26%, as our focus remains on surpassing industry growth and enhancing our position in the consumer market.

We are confident in the growth potential of our diverse portfolio, which aligns well with the trend of premiumization of the product portfolio. Now I'll hand over to the CFO, Mr. Atul Parolia for the financial highlight. Thank you very much.

**Atul Parolia:** Thank you Pradeepji and good morning to everyone. In Q4 FY '24 we achieved a revenue of INR512 crores and EBITDA of INR140 crores with the healthy EBITDA margin of 27.3%. Looking at the full year financial performance we generated a total revenue of INR2,000

crores with over 66% coming from consumer ware, 17% from writing instruments and remaining 17% from the molded furniture and light products.

We have witnessed a 2.5% improvement in overall margins compared to FY23, driven by volume growth and product mix optimization, despite a decline in product pricing due to raw material costs. In terms of our channel mix, general trade contributed 77% of our sales, while export and online sales contributed approximately 10% and 8% respectively, with modern retail contributing the remaining 5%.

Our gross profit stood at INR1,052 crores with a margin of 52.6%, consumer ware gross profit margin was 53.5%, writing instrument margin was 58.8% and molded furniture margin was 42.7%. EBITDA reached INR,535 crores with a margin of 26.7%, reflecting healthy performance across all verticals. Profit after tax grew by 24%, to INR,333 crores with a margin of 16.6%. We maintain a healthy operating cash flow of INR231 crore.

With this will open session for question and answer.

**Moderator:** Thank you very much. We will now begin the question and answer session. The first question is from the line of Ankur from HDFC Life. Please go ahead.

**Ankur:** Good morning, sir. Thanks for your time as always. I have a couple of questions. One, if you could just talk about some of your key categories, right? So, bottles, lunchboxes, writing instruments, just trying to understand even Opalware, how have they done in FY24? How are you seeing trends right now? How's overall demand? So, one was, of course, how's FY24 been? And more importantly, how are you seeing demand right now in FY '25?

**Pradeep Rathod:** So, Opalware, we did a sale of around INR342 crore, which includes a little bit of glass. The margins were pretty robust. It increased by almost 2% over the FY23. Writing instruments, again, has grown at a very healthy pace. The writing instruments, though, we are already giving you a separate this. If you can see, this is a heavy product.

Now, the sales was around INR333(wrongly said, its INR 334) crores. And if you see the EBITDA margins stationary is at around 29.3%, which earlier was 25.8%. So, all the verticals, each, including furniture, the margins have gone up because the raw material was quite favourable last year. It is still not at the top.

So, we still expect the margins to stay at this level. Demand has picked up very well in March and April early, but I think so because of the ongoing elections. A little muted for some time, but I think so there should be a robust demand, because we are expecting a very good monsoon, what we have seen this time.

And the rural demand has started picking up. Urban demand is still not at the top level, what we expect. But I think the 15% to 17% revenue growth is what we have projected in most of the segments. Like furniture definitely would depend on the price. So, if you see last year also, out of the 11% growth, furniture was the least in contributing in sales because the raw material was at a favourable price. So, we were almost passing 12% to 14% to the market.



So, that's why the value, volume was a little higher, but value did not reflect to that level. So, given that furniture and given the price, in fact, the volume growth in last year also in most of the segments would be around 15%. So, we are projecting 15% to 17%.

The glassware unit we are waiting, once it starts now in firing that could give us maybe an additional growth of around 3% this year. So, our target is 15% to 17%, but we could try and achieve around 20% growth.

**Ankur:** Okay. And if you could also touch upon lunchboxes and bottles, the consumer ware category, how have they done?

**Pradeep Rathod:** Consumer ware back to school has now just started and that is doing very well. The second segment what we are doing, all the bottles, because the heat is also very high and the bottle category is really doing very well. Both in, even in glass, also the bottle categories are doing much better because the individual bottle system which has started in the last four years pre-COVID, from the COVID time, is enhancing category at a very big level.

**Ankur:** And just one last one on this is -- this whole BIS which has come up on steel bottles, right, which essentially means that players, including yourself, would have to make these bottles in India versus imports. So, any -- what are plans for us? In terms...

**Pradeep Rathod:** So, BIS is now extended till 4th June and I think so it will get further extended on the import. Even on local, you have to take the BIS by September. Then the manufacturing of the -- these are particularly vacuum bottles. All insulated bottles we are making within 100% in our own factory. But vacuum bottles are 90% imported. Not only for Cello but everything.

So, I think so there will be a window for a little larger period to people to set up the units and all. We have already taken BIS extended for our insulated bottles -- what we manufacture for Ireland and all. We have already got the certificate for all our three companies. And all the other products like lunch carriers, where we use steel and plastic together insulated, we have already taken the BIS certificate for that.

We have been given also -- I think so Cello is the first company to get this BIS certificate on this.

**Ankur:** Okay. So, are we looking to incur additional capex also to start manufacturing the vacuum bottles? Is that also there in the plan?

**Pradeep Rathod:** Yes. So, it would not -- the capex is not very high. It's a little labour-oriented too. Because if we take five to 10 lines also, it is, the capex is around INR30 crores. INR30 crores to INR35 crores. So, that's way in our yearly capex, what we have drawn would be the, on the line of that. So, it is not a major capex. So, that's why we have not highlighted it ever. Because we were planning from last year itself to go in for some manufacturing.

We did not want to manufacture fully. Because the price, what we get from there -- the quality and the SKUs, number of SKUs what we get from China, because they are manufacturing for the world. So, they have a lot of SKUs. They have a -- a whole city or a whole district who



manufactures this vacuum flask. So, there is a little hiccup. Yes and no. How it will go to end over the next one year.

There could be a little hiccup for some time. But I think so, that should settle. That we are very, very sure. Because last time also they extended by three months. And now, because of the election, nothing is happening. So post the result, I think so, we have approached and we have already written to the government, the whole of the industry has written. So, we expect that there would be an end to this.

And in fact, if at all the approval also happens on the companies, because BIS doesn't stop any import. BIS leads the standards. And the company in which -- from where you are getting the material has to be registered in the BIS. And they have to follow the norms and the quality specifications. So, it has not happened. But it cannot be denied forever. It can be delayed.

Within all the categories like iron and whenever they put the mixers and BIS certificate, they always give the certification to the company which is manufacturing out of India. And even in India.

**Ankur:** Okay, fair. And just one last one, if I may squeeze in on this proposal to raise money via QIP. Just trying to understand, if you can just give us more colour, what is the purpose of this QIP? Where will you be using this money for? Thanks.

**Pradeep Rathod:** So, see, one, there is a director's loan which is there -- which is there from when we converted our companies into private limited. Other thing, that's the bigger capex, what we see an opportunity in glass. Once we are just waiting to fire this furnace. Because glass is, the trend of glass is picking up very fast. So, that's that is a capex-oriented business. So, we want to be ready for any opportunity on that.

So, there will -- there wouldn't be too much of money which will be lying it will be around INR300 crores. So, I think there are opportunities., when we had come with the issue also, we have an opportunity of buying one of the consumer companies, which is very good in our segment itself. And it would add a lot of value on some product line. So, these opportunities we want to be ready. And which are getting converted very fast.

You would see over the next one or two quarters.

**Ankur:** Fair. Got that. Okay. So, good. Thank you so much and all the best sir.

**Moderator:** Thank you. The next question is from the line of Sumant Kumar from Motilal Oswal. Please go ahead.

**Sumant Kumar:** Yes. Hi, sir. Good morning. Can you talk about the export contribution of writing instrument business and how the export is going currently in FY'24 and going ahead?

**Pradeep Rathod:** So, exports in writing instruments have grown very well. Even in other categories, if you see the combination of export, which was in '23, was 8% to our revenue, is now 10%. So, writing instruments being the biggest segment in our export. Even Opalware, we are doing good.



Consumer ware also -- then non-glass also has increased in this year. So, I think the export potential will depend a bit.

And export actually primarily grew more, if you see in terms of rupee also, because the local market was more muted than the export. And in that also, the general trade was a little more lower. So, the export has grown at a level what we always thought. But it has not grown up. Though you might see it has outperformed in the overall growth, but it is at the same level what we expected.

**Sumant Kumar:** How much you said the contribution of export in writing instruments?

**Pradeep Rathod:** So, now the export contribution in the whole sale are INR2000 crores is 10%. Last year it was 8%.

**Sumant Kumar:** And about the Kleeno, how Kleeno has grown and how are we expanding this category also further?

**Pradeep Rathod:** Yes. So, we are expanding in Kleeno. But Kleeno grew as all the consumer products were not robust, here for even Kleeno. So, we grew at around 14%, if you see in the category particularly, 14% to 15%.

**Sumant Kumar:** And in FY'24, we have 11.3% growth. So, what is the total overall volume growth in FY'24?

**Pradeep Rathod:** So, normally it is not measured, but whatever discounts we have passed on, because of the raw material which was lower, on segment-to-segment if I see, if furniture, it was around 12%-14%. So, if I have grown at 3%, so the volume growth will be around 15% on furniture. Or other consumer where we have grown 12% plus 6%-7%, so around 18% is the growth level on that segment.

Writing instruments, the price point was not too much of difference, 1% or 2%. So, we have grown around 17% in writing instruments, so which means around 19%-20%.

**Sumant Kumar:** So, can we assume a 15%-17% growth guidance you have given, there is a higher possibility will -- some couple of percent, 3%-4% kind of value growth will be there. So, we can surpass 20% kind of growth if 15%-17% we can assume volume growth this year FY'25.

**Pradeep Rathod:** That is what I said in the earlier question also. We are targeting 15%-17%, but if the glass once it starts and it has better sales immediately, because the glass has to establish. Our main purpose is the glass always has to get established. Glass is not a business, we start today and you can do it because the glass, the quality of glass establishes. Sometimes it can be a month more or less.

So, if as per target what we are assuming, then we could grow at another 3% more. If the raw material prices go up and if we again collect our prices upward, then maybe the value growth also could go up. But we are assuming 15%-17% of today's value of sales and today's pricing.

**Sumant Kumar:** And as a margin front, if it is more than 25%, 25.2%, can we assume with the glass plant opening and ramping up, we have a further margin expansion in FY'25?



**Pradeep Rathod:** Yes, so glass basically is a higher margin product. That's what we had earlier also said. If the pull of glass business as it grows further, the percentage of margin could go up over the years. This first year, it might not because at the EBITDA level, yes, definitely it will be good. But at PBD level, it might not affect too much in percentage, higher percentage. But over the next two years, it will really enhance the profitability in percentage terms.

**Sumant Kumar:** So, any other business is going to drive margin in FY'25.

**Pradeep Rathod:** Sorry, I couldn't get it.

**Sumant Kumar:** So, any other business, any vertical is going to have a margin expansion on overall company level?

**Pradeep Rathod:** So, margin expansion, I think we have a very good margin level. So, we are slowly trying to preimmunize some of our product lines in our consumer business. Like this year, we have launched special categories for back-to-school children and water bottles, lunch carriers, where the margins are approximately on the normal model than what we have, margin is around 7% to 8% more.

So, we are slowly trying to minimize in that category. Even if you see further our lunch carriers, casseroles, over the next 6 to 8 months, the range will be completely different, which will be a little more premium product. So, though we will not stop too much of general products, but premiumization in this category is what we are looking for the next one year, because this will make us completely different from the too many players which are there already in the field.

**Sumant Kumar:** Thank you so much, sir.

**Moderator:** Thank you. The next question is from the line of Percy from IIFL. Please go ahead.

**Percy:** Hi, sir. Just wanted to understand your ramp-up of the glassware. So, I understand the capex you have done and the asset turnover, which is around 1.1-1.2. I think the potential sales from that capex is around INR250 crore. So, do we get that immediately in FY '25 or does it take time? And if it is the latter, if it is going to take time, how does it work? Because the plant has to work 24x7 continuously from day one. So, does it mean that some of the production goes waste or how does that happen? Can you just explain that part, please?

**Pradeep Rathod:** Yes. So, no, it doesn't go waste. Any glass plant in the world is like that. It is not that it is the first time. So, as I said, we have seen COVID. In the COVID time also, we could run it and we could sell the product. And we were exhausted. So, we put the second project. Whenever you add a furnace, you cannot exhaust in one year.

That's why because of the high capex, the margins are higher. If you see the regional investment on a glassware business or a plasticware, a plastic general consumer product, the turnover is completely different. The margins are less over here, but the turnover or capex to revenue cycles are much higher. So, we get around six to seven times the revenue.





- Percy:** Right. So, when do we...
- Pradeep Rathod:** We have this storing facility and at times, the spurt is very high. So, in next, it will take one and a half years for us to achieve the capacity of the furnace. It cannot be in next six months, whatever I produced in day one, I'll be able to sell it.
- Percy:** Understood. So, therefore, the glassware...
- Pradeep Rathod:** We would have projected at least 25% growth.
- Percy:** Got it. So, the glassware and Opalware division, which you have done approximately INR350 crores of sales this year, including a partial ramp up of the new plant, plus some increase in Opalware, would around a INR500 crores number be a good estimate for FY '25?
- Pradeep Rathod:** I think our internal target was around 460 to 475.
- Percy:** Okay. Got you, sir. Second question is that, if I look at your consumer houseware, excluding the Opalware and glassware division, what is the kind of growth that you are targeting for that in FY '25?
- Pradeep Rathod:** Around 15%.
- Percy:** Okay. Yes, that's it from me, sir. Thanks and all the best.
- Moderator:** The next question is from the line of Jay Doshi from Kotak. Please go ahead.
- Jay Doshi:** Yes. Hi. Thanks for the opportunity. I have only one question and that is on receivables. So, if you look at FY '24 versus FY '23, incremental sales were about INR200 crores and increase in receivables was about INR145 crores. And I think there's an increase of about 17 days. So, could you give us some color on what is the channel inventory level and whether this receivable increase is largely pertaining to the expansion of Opalware capacity or even in your other businesses using higher channel level inventory and receivables? And how should we think about it going forward?
- Pradeep Rathod:** So, see, our inventory levels are -- has increased by around two days. About 87 days has come to 85 days. The receivables definitely has gone up. The general trade last whole year was not very, very good. So, we had given a little 10 to 15 days extra credit line to most of the customers to push in more to the retail. So, whereby their receivables also got delayed.
- Going forward and the second was we have done some government tenders with the money coming in four to five months. I don't know. So, that's one and that's around in the range of around INR18 to INR20 crores.
- Jay Doshi:** Have you mention government tenders, does it mean CSD channel, Army Contains Channel or is there something other?



- Pradeep Rathod:** It is not -- no, no. Other than that, back to school, there are many channels in Assam, Rajasthan, Andhra Pradesh, we did in Wim plast also for that means. Mumbai Municipal Corporation.
- Jay Doshi:** Understood.
- Pradeep Rathod:** Okay. So, that is taking by two or three days.
- Jay Doshi:** Understood.
- Pradeep Rathod:** And other is 10 to 15 days we have given extra to the channel. If you see a channel shift also, from last year 81% which was general trade has come down to 77%.
- Jay Doshi:** Right.
- Pradeep Rathod:** So, general trade this year was really very bad. Though I think so, with our product mix and everything, we could achieve higher growth sales than last year at a very good margin. That is just what was there and because of that, we did not want, we suffer on this. So, we could pass on around 15 days more credit. I think so by September this year, we should be in line with what we were in FY22 to 23.
- Jay Doshi:** Understood. So, then does it mean that there is at the channel level at distributor and retailer level, inventory level is higher than usual. And if that inventory level goes back to normalized levels by September, then there is a possibility that your primary sales could be a tad weaker than the retail offtakes or tertiary and consumer level sales.
- Pradeep Rathod:** Not 100% because when I give, so he pushes my sale, only the retailer wants to pay at his time because there are products where he has higher inventories, there are some important products and all what the retailers keep. So, there they get higher margins. So, he wants to utilize your money sometimes.
- So, our stock might have gone up at the retail end everywhere, not 100% sure. Yes, little bit could have gone up because retailer has limited space only. He cannot store more.
- Jay Doshi:** Correct. So, he uses your credit.
- Pradeep Rathod:** So he can increase by 5% to 10% not more than that any category.
- Jay Doshi:** So, he uses your credit facility or limits perhaps to ease the pressure that he may be facing for some of our other products.
- Pradeep Rathod:** So, there are higher margin products where they get it from importers and where they want to pay us because they get a higher discount of 3% to 5% on cash discounts and all. And we thought this is an opportunity, fine, we put in more, so our product sells more. So, if there is a 10 selling of any bottle, if I could sell 5 and 6 because he is not paying in cash, I sell more, so, we took a view that no, it is better we push, we can give 10 to 15 days extra credit. and over the next two quarters we will get it down.



**Jay Doshi:** Understood. One or two quick bookkeeping questions. So, with this fundraise, you will fully repay the promoter debt?

**Pradeep Rathod:** Yes, almost. We could be able to.

**Jay Doshi:** INR250 crores, right? It is about INR300, INR350 crores.

**Pradeep Rathod:** About INR330 crores.

**Jay Doshi:** Understood. And over and above that, whatever you intend to raise will be potential requirement for organic or inorganic growth?

**Pradeep Rathod:** Yes.

**Jay Doshi:** Lastly, any updates?

**Pradeep Rathod:** Because we have a few opportunities which I said, which I will not be able to disclose, but this is a good level.

**Jay Doshi:** But I am assuming this will be small ticket size, right?

**Pradeep Rathod:** So, ticket size really does matter because scaling up in that business is possible and which is aligning with our portfolio.

**Jay Doshi:** Correct. Thank you so much. Lastly, any updates on consolidation or sort of Wim plast or merger of Wim plast with Cello? Essentially because unutilized cash on that...

**Pradeep Rathod:** Yes, it is on the cards and it will be very soon. Very, very soon.

**Jay Doshi:** Okay. Thank you so much, sir and good luck for FY25.

**Moderator:** Thank you. The next question is from the line of Achal Lohade from JM Financial. Please go ahead.

**Achal Lohade:** Yes. Good morning, team. Thank you for the opportunity. Sir, if you could like you gave number for FY24 in terms of volume growth and the value growth. Can you help us with the same thing for fourth quarter?

**Pradeep Rathod:** Fourth quarter of 24 or 25?

**Achal Lohade:** Fourth quarter of 24, sir. You said about FY24 volume growth will be so much for each of the segment. Similarly, if you can give for, the fourth quarter?

**Pradeep Rathod:** So, fourth quarter, the volume growth, if you see in our consumer will be around 7%, 8% in our writing instruments is around 11%. Furniture was around 18% to 20%.

**Achal Lohade:** Understood. So, essentially what you are saying is that while it is 7%, 8% in the fourth quarter, the quarter was sluggish in terms of specifically GP and that is seeing a pickup now in end March, early April. Have I understood you right, sir?



**Pradeep Rathod:** Right. January-February was very bad. March middle it started picking up, but it got a little down for the temporary period, I think so because of the elections

**Achal Lohade:** Understood. And the order what you said for the consumer business, it is for consumer business the money which should come in 5 months to 6 months. Have I understood right? And that has contributed about two to three days of extra receivable in terms of impact?

**Pradeep Rathod:** So, the government supply is what is there that is 2 days to 3 days it has taken up because it is 5 months to 6 months. Overall, 10 days to 12 days we have extended credit extra in some of the product lines just to be there which I explained in the last question. So, these are the two things that were the receivables are high. The market was sluggish. We extended a little more extra credit because we could penetrate more in the retail.

Thereby, it is not 100% that whatever we penetrated is still lying with them. It could have got sold, but because of the payment leeway he wants to pay at time which we have given 15 days extra, so they would not like to pay earlier where they could invest in something else to make money or if there is some payment what they have to pay at the retail end.

**Achal Lohade:** Understood. Just one last question if I may sir with respect to gross margins which is gross profit divided by the sales for these three segments we see a sharp swing in both directions for each individual segment. Is it possible to give a specific number for fourth quarter, what is the gross margin and compare that with third quarter and explain what has driven the swing, if there is any?

**Pradeep Rathod:** So, gross margin for consumer is around 55.9% in this quarter. For writing instruments it is 59.2% and molded furniture is around 37.7%. And for the year consumer ware is around 53.5, writing instruments is 58.8 and molded furniture is 14.6%.

**Achal Lohade:** So, for the fourth quarter what is the swing from third quarter - from third quarter to fourth quarter is there a large swing because I think third quarter we had consumer ware at around 52% while it seems to have gone up to 55.9%.

**Pradeep Rathod:** Consumer ware was 58.7% and molded furniture was 42.8%. So, molded furniture has gone a little down the reason being because of the little raw material which has gone up because it was -- raw material was at a very lowest level in that quarter. Writing instruments is at the same level almost it is only a 0.5% difference.

Consumer ware was because of bottle season where the gross margins are much higher because that is why it always goes up in the last quarter. Over the last 3 years, 4 years also we see March quarter, January, February, March, the profit margins are always higher.

**Achal Lohade:** That's about it from my end. Thank you so much.

**Moderator:** Thank you. The next question is from the line of Vaidik from Monarch Network Capital Limited. Please go ahead.



- Vaidik:** Hi, sir. Congratulations on good set of numbers. So, my first question is towards the Opalware division. Firstly, I would like to know the capacity utilization levels and going ahead do we see possible capex for the Opalware division as well?
- Pradeep Rathod:** Opalware I think for this year last year we consumed around 65%, 60% to 65% and this year we will be at around 80%.
- Vaidik:** 80% in FY24?
- Pradeep Rathod:** FY24. Last year we started in August, September the second furnace. So whereby we increased our capacity by 4% more. So, if we were making around 12,000 tons now we are at 20,000 tons. So under 20,000 tons last year we utilized if you see the capacity of 20,000 tons, we utilized around 65%. This year it will utilize around 80% to 82%.
- Vaidik:** And, sir what about margins in this division?
- Pradeep Rathod:** So, margins are in line and a little better than last year because the new furnace is getting added. If you see the sales group are around 24% in this item. Margins, EBITDA is around 28%. So, it is around 28% what we maintained it's a little percentage higher.
- Vaidik:** 28%.
- Pradeep Rathod:** Last year the PBT was around 28% this year it is around 32%.
- Vaidik:** And sir, do we see any capex for this division?
- Pradeep Rathod:** Capex for?
- Vaidik:** For Opalware when we reach 80%?
- Pradeep Rathod:** So Opalware we are not expecting any further capex for the next 1.5 years because we still have the capacity whereby we utilize it.
- Vaidik:** Okay, sir. That is it from my side.
- Moderator:** Thank you. The next question is from the line of Keyur Pandya from ICICI. Please go ahead.
- Keyur Pandya:** The first question is on the imports. So, from the overall sales what percentage of raw material or traded goods is imported and it pertains to which subcategories?
- Pradeep Rathod:** So, there is only one category which is major is in vacuum flask which contributes I think to our total import to around 80% what we import.
- Keyur Pandya:** And that category is around what percentage of overall sales broadly?
- Pradeep Rathod:** It should be around 12% on the consolidated level.
- Keyur Pandya:** Okay. Understood. Second on the glassware so there is no import on the glassware side from our side?



- Pradeep Rathod:** Yes. For the time being before we start the furnace so that's why we built up to an extent and the similar category now will start manufacturing in India. So, that means the import will get converted into manufacturing locally.
- Keyur Pandya:** Okay. So, I mean in that context what kind of growth do you expect for the glassware in specific? What I am asking is that I mean we have added the capacity that is from the supply side. So, it will be more of substitution of domestic manufacturing from import or there will be an actual growth of sales and to what extent the growth is expected?
- Pradeep Rathod:** Because that what we are doing is only INR40 crores, INR45 crores, INR50 crores which the furnace capacity and the manufacturing capacity will be INR250 crores. So, this will get converted immediately plus the incremental sales what we get in this year. And by next year, in one and a half years, we will be able to grow that up to INR250 crores of sales.
- Analyst:** Okay. Understood. Noted. Thanks a lot and all the very best.
- Moderator:** Thank you. The next question is from the line of Grishma Shah from Envision Capital. Please go ahead.
- Grishma Shah:** Good morning, sir, and thank you for my question. I want to understand writing instruments what kind of distribution expansion plans do we have for next year?
- Pradeep Rathod:** So we have expanded already some distribution every year ongoing, like last year also we have said. So on a yearly basis, if you see, I think instrument, the number of distributors have gone up by around 350.
- Grishma Shah:** Okay.
- Pradeep Rathod:** Over the last year.
- Grishma Shah:** Correct. This retail network was at around 55,000 outlets, if I'm not wrong, and this is at around 65,000 at the end of the year. So is the idea more to penetrate deeper into these outlets or you would see the numbers increasing?
- Pradeep Rathod:** No, numbers will definitely increase. See, if the numbers, once it gets converted, there are numbers which are not service counter. There are numbers which are service counter. Only the service counter numbers we get it, which is not service and which is supplied through wholesale, because there are more businesses which the service is not possible. So that number is there, but penetration is one and increase in distribution and increase in retail will definitely have to go on end to end. It's not just that we'll increase sales only in this counter. There are a lot of counters. As I said, for a writing instrument to be really there fully, you have to be in 1,50,000 counters.
- Grishma Shah:** Okay. And the other question is on the raw material price trends. You've already highlighted, but is it fair to understand that now we don't have any lower price raw material inventory in our system?
- Pradeep Rathod:** Lower price inventory?



- Grishma Shah:** Yes, of raw materials?
- Pradeep Rathod:** No, so raw material we are normally keeping only a month. So normally it is in line because raw materials, it can go down very fast and so we don't want to claim too much on raw materials unless and until we have a very good chance where we see a difference of around more than 10%, we always scale up our inventory. Otherwise, it is maximum a month. So there cannot be that we have a lot of raw material which is at lower price.
- Grishma Shah:** Okay. And with this QIP that we are planning, one is obviously the debt comes off and some amount of capex that we need. Apart from that, I mean, are there any other new product categories that we intend to penetrate?
- Pradeep Rathod:** So we are thinking there are some opportunities where we can acquire a couple of companies. That's why we think it's not very big, like it would be in a medium note or small note of purchase. But I think so, that's why we want to be ready because the opportunities are there and it's coming very fast in two or one segment. So we want to be ready to utilize this fund over there.
- Grishma Shah:** Okay. And is there any, I mean, deadline that we've set for the QIP or is it just...?
- Pradeep Rathod:** I couldn't get you. Sorry.
- Grishma Shah:** Is there a deadline that you are working with the QIP?
- Pradeep Rathod:** Yes, we are working almost next month.
- Grishma Shah:** Okay. Fine. Thank you and good luck.
- Moderator:** Thank you. The next question is from the line of Akhil Parekh from B&K Securities. Please go ahead.
- Akhil Parekh:** Thanks for the opportunity. So my first question is on the sales guidance, right? If I look at fourth quarter -- sorry, third quarter of last FY'24, we have maintained that we will do a 20% plus kind of a sales growth in FY'25. And at least now we are seeing 15% to 17% slightly lowering of sales guidance will be what we mentioned last quarter. So is this to do mainly because of election-led disruptions or has it anything to do with a higher level of inventories in the term? That's my first question.
- Pradeep Rathod:** No. So I will still tell you to this point as we had the comparison from FY'21-'22 when the raw material was at its peak, okay. And '23 onwards it came down. Last year it was at a very good level. So, as I said, 5% to 6% sale looks muted when it is compared year-on-year. And still we have not gone up to the price what we were. The raw materials still sits at around middle of around the peak and the lowest. So still the price point is around 3% to 4% less. That is one. 15% to 17% is value growth.
- Akhil Parekh:** Okay.



- Pradeep Rathod:** So volume growth is 2% to 3% higher. Even as I said the gas prices in Opalware has come down from INR120 in starting of last year '24 to around INR55 now. So it is a very, very big difference, around INR8 a kg on our conversion.
- Akhil Parekh:** Sir, can you please repeat the last piece on the Opalware what you say?
- Pradeep Rathod:** So even in Opalware the raw material is not a very big cost, right? The Opalware raw material is around INR15, the basic raw material. When we -- the silica and borosilicate, all the product what we mix in. But our major is energy. So if you see, the energy cost is 2x more than the raw material.
- Akhil Parekh:** Okay.
- Pradeep Rathod:** So energy cost has reduced drastically which has given around INR8 a kg lower costing.
- Akhil Parekh:** Got it. Okay.
- Pradeep Rathod:** For which definitely we cannot retain everything we have passed on. So the value growth over there also looks muted. If this trend is there, then I think our sale price which was INR100 rupees is now at INR95.
- Akhil Parekh:** Okay.
- Pradeep Rathod:** So because of the vast diversification, we are only relating most of -- for your guidance that our raw material is not one. Our raw materials are different, because we are into three different segments where the writing instruments, the plastic would not affect us too much. Neither on both the sides, putting up the price or lowering the price.
- In Opalware, the energy cost will definitely make a big impact on lowering the price or increasing the price. On our other plastic consumers, yes, definitely plastic is the major raw material and the second raw material is stainless steel. So these are the two basic raw materials in our other segments. So, in the mix of it, I still feel we are at a 5% lower than of the pricing as where we had sold it around '22-'23.
- Akhil Parekh:** Got it. This is clear. Sir, two more questions. One is our channel checks were indicating that Milton is probably planning to enter into Opalware category. If you can give any color on this?
- Pradeep Rathod:** I've not heard.
- Akhil Parekh:** Okay. And lastly, on the government tender side, if you could quantify how much the sales was?
- Pradeep Rathod:** No, sales was this much only, INR18 crores.
- Akhil Parekh:** Okay. Sure. This is helpful. Thanks a lot.
- Moderator:** Thank you. The next question is from the line of Prathamesh Dahake from Motilal Oswal. Please go ahead.





**Prathamesh Dahake:** Good morning, sir.

**Pradeep Rathod:** Good morning.

**Prathamesh Dahake:** So due to connectivity issues, I wasn't able to join the call. So I had a couple of issues firstly related to the writing instrument. What was the contribution of exports in value terms in FY'23 and '24? Could you please let us know in writing instrument?

**Pradeep Rathod:** Only export you mean to say?

**Prathamesh Dahake:** Yes, export in value terms?

**Pradeep Rathod:** Export would be around in terms of 40% to 42%.

**Prathamesh Dahake:** Sorry, sir, you were not audible. Could you please repeat?

**Pradeep Rathod:** Export would be 40% to 42%.

**Prathamesh Dahake:** Okay. And last year it was?

**Pradeep Rathod:** It was a little higher by around 45%. I'm not sure exactly, but that should be difficult. A percentage plus or minus.

**Prathamesh Dahake:** Okay. So, and if you were to look at both the markets, domestic as well as exports, what was the revenue breakup in terms of value and volume for writing instrument in FY '24?

**Pradeep Rathod:** The volume and value, we have never worked on writing instruments. The number of pieces is not possible. So, I calculate the breakup, so I don't have it ready now.

**Prathamesh Dahake:** Okay. Sir, like you've mentioned that RM prices cooling down has been one of the reasons for elevated margins, but I guess your EBITDA margin in writing instrument is much higher when compared to other players. Is it due to the product mix? What is the average price point that you're playing in the writing instruments? If you could let us know.

**Pradeep Rathod:** All price points are there. We are not there in only INR5 category. We are from INR10 and above. Otherwise, all price points, we are also there.

**Prathamesh Dahake:** Okay. So, main reason behind such high gross margins would be apart from RM cooling down?

**Pradeep Rathod:** I think why it is lower at the other level that I really need to check there. It is historically there when we are both manufacturing even in Cello. That time also, we were almost 1.5x, 2x the margin of the other players. So, I don't know. I think we still feel that we are not at the top level of manufacturing.

**Prathamesh Dahake:** Okay, sir. And how do you see the market shaping up domestically and in domestic as well as exports for writing instruments in the next three to four years?



- Pradeep Rathod:** Writing instruments will grow at for next two, three years around 12% to 15%. Stationary, highlighter products with writing instruments like Masters and all, are growing also at a healthy pace.
- Prathamesh Dahake:** Okay.
- Pradeep Rathod:** And consolidation will definitely happen in the Indian market. The smaller players and all will be a little difficult for them to survive over the next two, three years.
- Prathamesh Dahake:** Okay, sir. My next question was, how much did bottles contribute in FY '24 in value terms, if you could help us understand?
- Pradeep Rathod:** I don't have it separate.
- Prathamesh Dahake:** Sorry?
- Pradeep Rathod:** I don't have it separate at present with me.
- Prathamesh Dahake:** Okay, sir. And generally, what gross margins do we make in the bottle segment, steel as well as PET?
- Pradeep Rathod:** So, there are differences, because we have high margin ones also, we have the lowest margin also. In one of the bottles, we have only around 17% to 18%EBITDA level. Some of them are at 30% also.
- Prathamesh Dahake:** But if you were to say on a basket level, let's say PET versus steel, there has been so much talk about it. So, how are you looking at it in terms of, let's say, gross margin at a basket level or consolidated product lines?
- Pradeep Rathod:** See, consumer value is a basket. So, every segment, we really do not go and focus on this. Yes, we have to, where the demand will grow, that is what we try to escalate in our total basket. When I project a sale, I have my projections skills, maybe my casserole category will grow by 8% this year, my bottle category will grow by 15%. But we do not have kept every product, different margins and every category, because there are almost 24 categories of product lines. So, we have a bucket, we have mugs, we have washing, laundry baskets. So, every segment has an end-user difference. So, on this basis, we never have thought of getting what is the margin as water bottle what there is margin casserole was what is the margin lunch carrier. So, we don't have that separate segment-wise thing.
- Prathamesh Dahake:** Okay, sir. That's all from my side.
- Pradeep Rathod:** That is a little more, if at all in next quarter I try to give, it will be much more better for the competitors than for our use, in any case.
- Prathamesh Dahake:** Okay. Understood. That's all from my side, sir.
- Moderator:** Thank you. The next follow-up question is from the line of Keyur Pandya from ICICI. Please go ahead.



**Keyur Pandya:** Thank you for the opportunity again. Just two questions. First, regarding this BIS standards, so do we expect any interim disruption in the sales? That is first. And second, whenever industry would require BIS standards for their sales, in case of Cello, so we would continue to import with vendors getting registered or we'll have our own facility or some domestic vendors. How will we replace this?

**Pradeep Rathod:** See, disruption will happen, definitely. There is an opportunity also in this and for some time even our company could get affected. But overall, I think so it will be an advantage over the long term with the BIS coming in. Manufacturing, we have only started thinking on it and we have taken steps how far. But it will be always, if we manufacture also, we'll be manufacturing only to be able to manufacture around 20% to 30% of the SKUs in India. 70% still will be on import side.

Value might be 50-50 over the next 2-3 years. But import definitely, you cannot make 100 SKUs with the size of sales you have because it will not be affordable. The cost will be much higher than what we are importing today.

Till today, all the manufacturers in India are not being able to manufacture at the cost where we import from China. The quality also is, till today, is much better from China than India. So this will in future also remain an import and local both. It will get a combination. What today is 90% import, it might come to around 40%, 50% import, 50% local.

**Keyur Pandya:** Understood, noted. Sir, thanks a lot and all the very best. Thank you.

**Moderator:** Thank you. The next question is from the line of Ankush Agrawal from Surge Capital. Please go ahead.

**Ankush Agrawal:** Hi, sir. Thank you for taking my question. So firstly, on the fund raise, can you quantify what kind of amount you are looking at? Would it be like say INR500 crores, INR1000 crores, any broad range?

**Pradeep Rathod:** So can I say the number? No, so the board, will decide. But I think so whether, I don't know, I'm really not sure whether I can speak on this.

**Ankush Agrawal:** Okay, got it. Secondly, on the thought process of fund raise, so I mean we had our IPO just a year back and at that time we didn't raise any money. So what has changed in just one year that we are now going for a fund raise?

**Pradeep Rathod:** See, six months back we were not a listed company. So we were running our own company and now really we want to grow and outgrow. So wherever we were exploring opportunities when we were in the process of putting this glass plant, at that time we thought of what is the capacity we are producing and what would be the market over the next two, three years.

If I would have been an unlisted company, I think I would not have gone for this, thought for the second plant for two, three years. First sell it then we'll see. Though we are now in there, so all the opportunities and even our plastic dust been has set earlier. I have some opportunities where we can do, okay. Where we are in the process, we are in talks with them and which can



happen and which can really add value to the company. So these are the opportunities we tried to explore only for this year.

Though it was there in the mind, but as an unlisted company I would not have because I would have tried to grow my own business at the pace what I wanted to grow. But now if there are opportunities and you are in the listed space, you want to outperform, you want to grow much faster.

So that's why instead of and as a compulsion that at later date I have to do an OFS to bring it down to 75% because the promoter holding is at 78.06% today. So we thought it is better to take money in the company where we have a larger opportunity to grow and so if we have the money, I think the acquisition will be much faster.

**Ankush Agrawal:**

Thank you. That is very helpful.

**Moderator:**

Thank you. The next question is from the line of Karan Bhatelia from Asian Markets Securities. Please go ahead.

**Karan Bhatelia:**

Thank you. Am I audible?

**Moderator:**

Yes, sir.

**Karan Bhatelia:**

Sir, this is with respect to capacity utilization across categories on FY'24 and how has our value-added portfolio done with respect to writing and stationery because we did mention of new product launches in stationery ware in FY'24 and how has been the value addition on the furniture side? These are the questions?

**Pradeep Rathod:**

Value addition?

**Karan Bhatelia:**

Yes, value-added portfolio in writing and stationery and value-added portfolio in furniture ware?

**Pradeep Rathod:**

So you can see by the numbers. You can see the furniture sales growth is very less. So 1.5% of gross margins have gone up in furniture segment. Writing instrument has gone up by 5%.

**Karan Bhatelia:**

And what is the capacity utilization as on FY'24? Across categories?

**Pradeep Rathod:**

So frankly speaking in the glassware, I cant definitely say what the capacity utilization in a consumer ware. Writing instrument, yes, to an extent I can be sure or near about it but in plastic ware normally, at least in injection moulding, there is no capacity utilization. What is the product mix you are making? If I am making a bottle which is stainless steel liner, the price goes three times.

And if I am putting a plastic inner to plastic outer, the bottle sale is INR70. If I put a stainless steel liner, it becomes INR200. The machines are same. The people are same. So this utilization is in number of pieces I can tell you my projection to utilization. Mostly everything depends upon the sale or utilization over here. To increase the capacity, it doesn't take really too much of time.



And to reduce, you have to keep maybe one day off. And that's the way. Unlike the furnace. Furnace has a 20,000 tons pull. It has to be pulled. And it is in tonnage. And I cannot stop it to 18,000 or I cannot scale it to 22,000. So there is no other value addition in that thing, except for if you do hold line or something, where you add the value, where you might say, so the tonnage can be only defined in any sector where it is tonnage. It is tonnage-based. It cannot, value-based cannot create any, give you a right answer of any capacity utilization. It's just a hypothetical figure.

**Karan Bhatelia:** True. Is it correct to assume that capex output would not be more than 60-70 crores tonnes for next year?

**Pradeep Rathod:** Yes, our result is definitely. That's the maximum what we are thinking.

**Karan Bhatelia:** Thank you. That's for my side.

**Moderator:** Thank you. As there are no further questions from the participants, I would now like to hand the conference over to the management for closing comments. Over to you, sir.

**Pradeep Rathod:** I'd like to thank everyone for being part of this call. We hope we have answered your question. If you need more information, please be free to contact us or SGA, our investor relations advisors. Thank you very much for being part of this call.

**Moderator:** Thank you. On behalf of ICICI Securities, that concludes this conference. Thank you for joining us and you may now disconnect your lines. Thank you.