Cello World Limited

(formerly known as ‘Cello World Private Limited’)

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August 21, 2024

BSE Limited Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400 001 **Scrip Code: 544012**	**National Stock Exchange of India Limited** Exchange Plaza, C-1, Block - G, Bandra Kurla Complex, Bandra (East), Mumbai - 400 051 **Symbol: CELLO**

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 August 14, 2024 at 09:00 a.m. (Indian Standard Time) on the unaudited financial results for the first quarter ended June 30, 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 Pragnesh Trivedi

Digitally signed by Hemangi Pragnesh Trivedi
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"Cello World Limited

Q1 FY '25 Earnings Conference Call"

August 14, 2024

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

MODERATOR: **MR. NILESH PATIL – ICICI SECURITIES**

E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 14th August 2024 will prevail

Moderator: Ladies and gentlemen, good day and welcome to the Cello World Limited Q1 FY '25 Earnings Conference Call on hosted by ICICI Securities Limited. 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 is being recorded. I now hand the conference over to Mr. Nilesh Patil from ICICI Securities Limited. Thank you and over to you, sir.

Nilesh Patil: Thanks Neha. On behalf of ICICI Securities, we welcome you all to Q1 FY '25 results conference call of Cello World Limited. We have with us Mr. Gaurav Rathod, Joint Managing Director and Mr. Atul Parolia, Chief Financial Officer. Now I hand over the call to management team for their initial comments on the quarterly performance and then we will open the floor for question and answer session. Thanks and over to you, sir.

Gaurav Rathod: Good morning everyone. This is Gaurav Rathod, your Joint Managing Director. Along with me is our company group CFO, Mr. Atul Parolia. The results and presentations are available on the stock exchange and on our website. I hope you had a chance to look at it. Our performance during Q1 FY '25 is in line with industry trends.

We have grown our revenue by 6.1% on a year-on-year basis and were able to improve gross profit margins from 52.6% to 53.8% year-on-year and increase our 120 basis points. I would like to highlight that this growth was achieved despite facing multiple headwinds on the demand front, including weak urban demand during the quarter and an increasingly challenging environment due to the elections. That said, we are optimistic about the rest of the year and the demand seems to be improving.

Improvement in our top line was primarily driven by the consumer and the furniture businesses, which grew at 6% respectively (Wrongly said, please read it as "5% and 16% respectively"), while the writing instruments remained flattish due to the continued sluggishness in the overall demand scenario. Having said that, we remain confident about the writing instruments business. The growth in the writing instruments business is a function of our footprint expansion alongside additions to our product portfolio.

In the rest of the year, we will be adding product lines like markers, crayons and geometry boxes, which will help us penetrate and expand in the market. On the margins front, while the overall operating margins remained stable, we saw an uptick in the gross margin profile. This improvement is a result because of the shift in the product mix and revenue mix changed primarily due to this reason.

Our consumer ware business recorded a 170 basis point improvement in gross margin on a year-on-year basis, followed by moulded furniture and allied products, which grew by around 100 basis points year-on-year largely due to lower raw material costs. Writing instruments, which already have the highest gross margin in our product basket saw a 80%(wrongly said, please read it as "80 basis points") margin expansion on a year-on-year basis. I would like to highlight that in Q1, we ran a back-to-school advertising campaign that resulted in an increase in our advertisement expenses from INR2.8 crores in FY '24(wrongly said, please read it as "Q1 FY '24") to INR7.8 crores in FY '25. Such activities are important in order to enhance the brand's recall and salience and we will continue to do so for the rest of the year too.

To end with, we expect the second half of this financial year to be stronger, driven by an improvement in the overall demand scenario throughout all our business verticals and we continue to maintain our growth expectations of about 15%-17% in FY '25. With this, I would like to hand over to our CFO, Mr. Atul Parolia, for the financial highlights.

Atul Parolia: Thank you very much and good morning to everyone. I will now be sharing financial details for the quarter gone by. In Q1 FY '25, we achieved a revenue of INR501 crores and EBITDA of INR135 crores with a healthy EBITDA margin of 27% and growth of 8.6%(wrongly said, please read it as "6.3%") year-on-year. Our PAT stood at INR83 crores with a margin of 16.5% and growth of 6.7%.

Speaking about the business verticals over 65% of revenue came from consumer ware 17% from writing instruments and remaining 18% from molded furniture and allied products. Overall, around 81% of revenue came from in-house manufacturing. As was highlighted in the opening remarks, we saw an increase of around 150 basis points in our gross margin which stood at INR269 crores.

Consumer ware gross profit margin was 55%, writing instrument margin was 59.3% and molded furniture was 45.6%. In terms of channel mix, general trade contributed 74% of our sales, while export and online sales contributed approximately 10% each. Remaining 6% was contributed by the modern trade.

With this, I would like to open the session for questions and answers.

Moderator: Thank you. We will now begin the question and answer session. The first question is from the line of Jay Doshi from Kotak Securities. Please go ahead.

Jay Doshi: Hi, good morning and thanks for the opportunity. My first question is 15%-17% top line growth a guidance or is it an aspiration? Because if I were to look at 6% growth in the first quarter, it implies you are indicating 19%-20% growth for the rest of the year. If you can help us with the math, how much of this 19%-20% growth in the remaining three quarters will come from the soon to be commissioned glassware plant and how much of it from the base business, rest of the business?

Gaurav Rathod: I think it is not an aspiration, it is something that we believe that we will be able to achieve. As you rightly said due to the commissioning of the glassware plant which will come in later this year, we expect significant revenue gains from that particular plant. Also, normally this Q1 has been subdued and we don't expect the rest of the year to go like this because primarily you are aware of the elections and also because of the heat wave that was around the country.

The footfalls overall were pretty - it was one of the worst that we have seen. So I don't expect the same in the rest of the year and we have already seen signs of improvement. So that is why we are pretty positive that the revenue should be in line of our expectations.

Jay Doshi: Understood. And what is your expectation of top line from the new glassware plant this year?

Gaurav Rathod: So it should ideally for us should add about INR75 to INR80 crores more revenue than the previous year.

Jay Doshi: Okay, than the previous year.

Gaurav Rathod: Yes, than the previous year.

Jay Doshi: Okay, and that is entirely going to come in the next three quarters?

Gaurav Rathod: **That will be completely new revenue,** that was not present basically last year.

Jay Doshi: Correct. Fair point. Second is there was an increase in receivable days and channel inventory that you indicated on last call and the expectation was it will moderate by September. So is that on track or because of acute weakness in demand has inventory levels gone up further? Essentially the question is that do you foresee any channel inventory correction during the course of year or you are comfortable with the levels?

Gaurav Rathod: So actually even during quarter 1 we have seen our secondary sales performing much better than what primary we were able to achieve. So definitely there is easing of the stock positions at our channel partners as well. So I feel there is correction though it is not significantly coming in terms of the working capital.

But it is definitely improving. So we will see some improvement by the end of the first half of the year.

Jay Doshi: So June quarter and working capital is slightly better than March quarter end or maybe if you can share the numbers later in the call, if Atul can share some color later.

Gaurav Rathod: Sorry to interrupt, but it was not significantly better but it has improved. But we expect more improvement in the next couple of months.

Jay Doshi: Understood. Final question is some key objectives for QIP were one was you looking at some inorganic opportunities. And second is it would enable you to proceed with consolidation or merger of WimPlast also. So what are the timelines on this, when can we expect some updates on both these aspects?

Gaurav Rathod: So on the inorganic growth front as I had mentioned earlier as well, we have been looking at some opportunity. And they are in on the table at this point of time and we will try to close them as soon as possible. Apart from that in terms of the plant that we had integrated in Rajasthan for the steel ware and the thermo ware and the plastic ware both is in line. It would take about 8 to 10 months for it to be commissioned, but we have started the process of the machinery and the erection of the plant. So that's in line.

In terms of WimPlast ideally, of course, from a management perspective we would like both of them to be merged and once it is decided by both the boards, I think we'll be able to go ahead on that as well.

Jay Doshi: Sure. Lastly, your guidance 15% - 17% does not factor in any potential inorganic so that is all organic as of now?

Gaurav Rathod: That is pretty much organic at this point of time, yes.

Jay Doshi: Sure. Thank you so much. I'll get back in the queue.

Gaurav Rathod: Yes. Sure.

Moderator: Thank you. The next question is from the line of Nilesh Patil from ICICI Securities Limited. Please go ahead.

Nilesh Patil: Yes. So thanks for the opportunity. I just wanted to understand, you have mentioned that in the writing instrument segment there will be an entry of geometry boxes and marker segment. So could you please throw some light on it? And could you also share some light on the kind of lower growth into writing instrument segment considering the year has reported good set of numbers in the segment? So could you please share some light on writing instrument particularly?

And my other question is on related to the channel distribution. So could you please share some light on general trade and other channels? So how has they performed into this quarter particularly and is the total, you can say, subdued performance is due to lower kind of growth into general trade particularly?

Gaurav Rathod: So first - your first question basically, writing instruments overall in the pen segment has been slightly subdued. If you see other peers in the pen segment it is pretty flattish for everyone. If you are talking about a couple of peers who are more into the stationary side or the art side of things which is mainly for kids, crayons and other items, that has performed better.

So I guess they are not comparable completely. Second of all, I think the geometry boxes and the crayons are in process. We will be coming out with those product lines very soon. There is no timeline as per say because we are working on the machinery side and the plant side of things. So it might take slightly longer. Of course, we will come in most likely in the second half of the year in terms of the revenue that can be generated out of those businesses.

Thirdly, in terms of geographical distribution now we have pretty much covered most of India in terms of the writing instrument segment. We have a couple of geographies that we still are slightly weaker in which we would like to strengthen at this point of time. So that will help us improve our numbers over the year.

In terms of general trade – general trade still is about 74% of our sales. It has slightly you are right that general trade has been weaker in this particular quarter. Though I don't foresee it to be weaker the entire year, but this particular quarter yes, general trade has struggled more compared to other verticals and that is why you see that some numbers have not significantly changed, but it has changed slightly up to 5%, the channel mix has changed or because from 80% it went down to 74% for this quarter. So slight shift, but we don't see that happening over the entire year.

Nilesh Patil: Yes, okay. Thank you. And so going ahead do we expect the dependence on general trade to kind of a bit lower and kind of increase into our alternate channels?

Gaurav Rathod: So we are always trying to improve our alternate channels, but I think this is in line, it's in line with the industry standards. I don't see a very big change coming very soon, but we've seen some shifts for e-commerce has started doing slightly better than our expectations. So I think there should be some growth there, but not significant changes in the mix.

Nilesh Patil: Understood. Thanks a lot for the information.

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

Sumant Kumar: Yes, hi, sir. So can you talk about how is the consumer glassware performing in this quarter and the plant status when we can expect a ramp up of the new plant?

Gaurav Rathod: So basically the consumer glassware also has performed pretty much in line with all the other consumer ware products. So the same growth. Basically, it has been ramped up in terms of the Opalware plant we have pretty much ramped up everything. So now we have some capacities. So we are at about 75% capacity utilization at this point of time, but we hope to improve this over the year.

And of course, the first quarter for glassware is always slightly weaker than the second and the third. So we expect it to grow much faster. Secondly, in terms of the ramp up of the glassware plant we are pretty much ready. Our firing date for the plant we actually kept it for August, end of August. But we are slightly intentionally actually delaying it because it takes about 40 to 45 days for the glass to come out. And we would be right in the middle of the season of Diwali.

And at that particular point of time, it was not ideal to launch a new product line. So we are going a little ahead of our timeline intentionally by about 15 to 20 days. So we are looking at about mid-September kind of commissioning date which will help us just after the season launch the product more effectively.

Sumant Kumar: Can you talk about the export writing instrument, export growth, how it is happening currently?

Gaurav Rathod: So export predominantly it's in the stationary segment for us. The rest of the items there is very meagre revenues, sales contribution for the other product lines. So I guess this thing has performed decently well and it's in line whereas previously as well as we have always said that it's about 40% of us stationary business or the pen business and it continues to be the same in terms of the mix.

Sumant Kumar: So have you seen the growth in writing instrument export this quarter?

Gaurav Rathod: No, this quarter we are at not really, it actually improved slightly exports for us.

Sumant Kumar: Domestic is like has they grown this quarter?

Gaurav Rathod: Domestic is slightly on the degrowth side, slightly about 1%, 1.5% yes.

Sumant Kumar: So considering the very intense competition in pen segment, so our strategy to diversify to other products in this category, how do you see this segment growth ahead? Because the pen segment I think other players are also entering into. So any other new big segment or you are going to increase the pen segment of this particular channel?

Gaurav Rathod: Right, so as I mentioned I think that we will be entering the stationary segment. So other stationary - we are basically predominantly today only into pens. So markers, crayons, geometry boxes is something that we have previously stated as well that we will be entering and we will be doing this soon. So I think, yes, you are right, it has become flattish. Though we don't anticipate this to be flat throughout the year, it's just this quarter. So hopefully we will have demand back, but yes we will be entering definitely other segments.

Sumant Kumar: And for all that, we have a manufacturing facility. You will not outsource?

Gaurav Rathod: Not all of it, it will be a mix. It will be some outsourcing and some manufacturing.

Sumant Kumar: Okay then you will outsource and then you will have a manufacturing, correct?

Gaurav Rathod: Yes, of course.

Sumant Kumar: Okay. Thank you.

Moderator: Thank you. The next question is from the line of Divyanshu an individual investor. Please go ahead.

Divyanshu: I just have slightly basic questions. So in the new plant that you will be ramping up or maybe let's say the manufacturing will start by the mid-September. So you would primarily be manufacturing the borosilicate glassware, right, and not the other ones maybe like lead crystal or maybe like a tempered glass or something else, it will primarily be focusing on borosilicate, right?

Gaurav Rathod: No, actually this is not a borosilicate glass plant. This is a soda lime. So soda lime is your basic glasses which is your drinking glasses which have no borosilicate kind of raw material in it. So this is purely soda lime. So it's just jargon, but it's a different furnace also altogether.

Divyanshu: Okay. So you are currently not or let's say you don't have any plans for manufacturing the glassware, specifically the borosilicate glassware which go into laboratories or kitchenware or maybe like lighting?

Gaurav Rathod: No. So we are not getting into borosilicate glass which is primarily lab driven and baking driven. We are not entering that.

Divyanshu: Okay. I don't know why I have some understanding that you are currently trading in these products. So that is also not true as of now.

Gaurav Rathod: That is true. We still trade in these products.

Divyanshu: Okay. So no manufacturing plans as of now.

Gaurav Rathod: Correct.

Moderator: The next question is from the line of Meet Jain from Motilal Oswal Financial Services. Please go ahead.

Meet Jain: So I just wanted to get some backdated numbers for segment wise consumer writing and moulded. What kind of numbers were in 1Q FY '24 so to understand the growth of each segment?

Atul Parolia: Okay. Segment wise growth, as you have said, consumerware has grown, revenue has grown by 5.4%, writing instrument is flattish and furniture has grown by 15.9%. So overall, it comes to 6.1%. And vis a-vis if you see the EBITDA, overall it has increased by 6%. This is mainly contributed by the furniture. And thereafter writing instrument and consumerware.

Meet Jain: Okay. So we have like our moulded furniture business has driven the entire growth this quarter. And so are we expecting similar kind of performance from moulded furniture as we have seen that margins are also very good in the moulded furniture. It has expanded the highest. So what kind of trajectory do you assume for the entire year or going ahead?

Gaurav Rathod: So moulded furniture actually primarily -- of course, moulded furniture grew in this quarter. But it was also a factor of the cooler business. Within the moulded furniture business that actually performed very well in this quarter. So that is why you have seen that kind of a growth for moulded furniture segment in this quarter.

Meet Jain: Okay. And the cooler, we outsource this right, primarily?

Gaurav Rathod: Yes, we outsource that primarily, yes.

Meet Jain: Okay. And just one, what growth was -- you mentioned some writing instruments that saw kind of degrowth?

Gaurav Rathod: So it is about negative 0.2% is what the degrowth is.

Moderator: The next question is from the line of Karan Bhatelia from Asian Market Securities. Please go ahead.

Karan Bhatelia: So, Gaurav, with respect to the adjustable market for the new product launches, maybe markers, crayons and geometry boxes, how big is this market? And second, how is the gross margin profile and the realization profile compared to our existing portfolio in pens?

Gaurav Rathod: So I think there is a significant gain that is possible with this particular product line. The addressable market is huge, so I think it would be wrong for me to comment on the overall size. It's large. There is still gaps in the market that we see.

Initially, we will be doing a mix of some manufacturing and some outsourcing. So, of course, margins will be slightly lower than our current pen business that is a complete manufacturing side. But eventually, as volumes grow, we would try to backward integrate and see where we can take margins.

Karan Bhatelia: Right. Correct to assume that the adjustable market could be bigger than pens for these couple of categories?

Gaurav Rathod: We have never looked at it that way. We still think the pen business is the largest and still has room to grow. So I believe for us, it will just be an adjacent category. We will see how much we can afford gain in these segments.

Karan Bhatelia: Correct. And in the last couple of calls, we did mention that there is substantial headroom of growth for our writing business in terms of channel partners, dealers, distributors. So how do you see the growth for FY '25 across the three categories in terms of touch points?

Gaurav Rathod: So I think in terms of the pen business, we have not covered all the geographies and we are trying to cover most of them now. Of course, there are some weaknesses in a few markets. Some of the channel partners, we still have to look at and see how we can align them better and grow those areas. So definitely, there is some room there.

In terms of our other businesses, I feel we are pretty much pan India. There is good coverage. We are just working on improving our product line further every day. And that is why you are seeing improved margins because the products are improving. We are not pushing it as hard because we believe that in a bad market scenario, pushing a product too hard can yield revenues but then at the expense of margins in the long term. So that is why we have always been conservative on that front.

Moderator: Thank you. The next question is from the line of Grishma Shah from Envision Capital. Please go ahead.

Grishma Shah: Good morning and thanks for taking my question. I want to understand what the margin trend over the next three quarters given that growth in the moulded furniture was primarily driven by coolers and that's a seasonal business. So overall, how would the margins pan out with glassware capacity coming in and with coolers not contributing significantly over the next one or two quarters?

Gaurav Rathod: So I think, are you talking primarily about Wimplast or are you talking about the overall scenario?

Grishma Shah: Sir, overall business.

Gaurav Rathod: Right. So I think see, even today the Wimplast or moulded furniture segment for us is still contributing very little to our overall revenue and profitability. So again, it's not a significant deterrent over the next few quarters. There will be consumer, our consumer businesses will grow much faster because normally they perform better during the second and the third quarter because of primary, because of the festive season. So I guess that will be compensated by our other segment growing much faster during the next three quarters.

Grishma Shah: Okay. So margins should be with a comfortable range is what you are saying?

Gaurav Rathod: Yes, margins, margins, see margins is a competitive environment. It's not in the best of years. So 1%,2% up and down, we've always said that it's possible that we might have to discount slightly, but not significantly. We don't see that happen.

Grishma Shah: We are also coming from a base where the margins were slightly better. Based on lower input prices. What's the theme for this year? How have the raw material prices behaved?

Gaurav Rathod: So I think we've reached a place where input prices are pretty much stabilized. So we are not seeing a major reduction on any of the raw material or other packing material prices to go down significantly from here. So I think we are pretty much in a stable condition at this point of time.

Grishma Shah: Okay, fine. Thanks for answering my questions and good luck.

Gaurav Rathod: Thank you.

Moderator: Thank you. The next follow-up question is from the line of Jay Doshi from Kotak Securities Limited. Please go ahead.

Jay Doshi: Hi, thanks for the opportunity again. My question is on BIS across all the categories that you operate in. Can you give us some flavor or color on where you think from a slightly longer term perspective, you may end up being on the beneficiary side. We know a little bit about the vacuum flask bottles, but are there opportunities elsewhere also?

Gaurav Rathod: So I think, yes, BIS, though it has not been implemented very hardly at this point of time and still people continue to import the product, we actually do not have good clarity at this point of time. But of course, if they are to implement, we are preparing ourselves in terms of the actual machinery and that we are putting up in Rajasthan. So we are taking the first step towards it. And in the future, if there is if there is no imports allowed or there is anything else that the government decides to do, then we will be in a good position to take advantage of that situation as well.

Jay Doshi: Understood. In terms of opportunities in other adjacent categories, are you considering or evaluating anything outside of your existing categories or anything that you find interesting where you may potentially enter, either through Wim plast or through...

Gaurav Rathod: So, Yes, so of course, I think we have always been a company that has looked at adjacent categories. So of course, we will keep looking. At this point of time, I think we have enough on our plate for the next year and a half, two years to perform and grow these categories that we are now entering. So I guess, but of course, we are always on the lookout. And in the consumer ware business, it is extremely important to grow horizontally all the time. Yes, for sure.

Jay Doshi: `Got it. Thank you so much and good luck.

Moderator: Thank you. The next question is from the line of. Rakshit Desai from IIFL Finance. Please go ahead.

Percy Panthaki: Hi, sir. This is Percy Panthaki here. Sir, just can you tell us what was the pricing element this quarter in the total growth?

Gaurav Rathod: So I think pretty much it was price and volume grew hand-in-hand because there was no input price reduction that came in this year. It was pretty flattish. So overall volume and value growth has been in line for this quarter.

Percy Panthaki: Understood. And what is your general thought process on acquisitions? Would you use acquisitions to enter into something new or would you use it to consolidate market shares in your existing business?

Gaurav Rathod: So a little bit of both. To consolidate and get some opportunities at a good price that we are able to acquire. We are always looking at that in our current horizon as well. And, of course, if there is some existing categories that are some synergies, we are definitely open to look at those kinds of opportunities as well.

Percy Panthaki: Understood. And in your core business, that is the sort of consumer houseware, ex glassware, what do you think are the growth drivers of the business at a company-specific level? I understand the macro construct, penetration, up-tradition, etcetera. But at a company level, what is it that you are doing in order to accelerate the growth?

Gaurav Rathod: So I think, as we are already entering into new segments. In the glassware side also. So we have been primarily into Opalware. We are getting into the soda-line glass as well. So glass for us in this segment is going to be a very quick driver. Apart from that, all our other segments, whether it's hydration or lunch packs or casseroles, they continue to grow pretty well. The idea is to -- has always been to upgrade the product line, to premiumize it further. And I think that will help us grow this category much faster.

Percy Panthaki: Any update on distribution in terms of number of outlets you directly reach and how that has increased over the last couple of years or so?

Gaurav Rathod: So I think in the consumer-based business, it's pretty much flattish, the number of outlets. It's about 56,000 is the universe that we cover. And 80% of it is actually very frequent business. And the other is slightly we touch it maybe a few times a year. So I think that way, that universe has remained the same. But of course -- some people have expanded their shops. They've improved the product portfolio. So I think that is what we are seeing. Current shop owners building better shops.

Percy Panthaki: Understood. And your e-commerce salience of the portfolio, how much is that now and how it has moved over the last couple of years?

Gaurav Rathod: So I think e-commerce for us has been a couple of percentage points increased this quarter as well. And I think it's about 10% of our overall sales, which I think can improve over time by about 3%-4%. And in the next two-three years, we could look at something like a 15% of revenue mix coming from e-commerce.

Percy Panthaki: Understood. And according to you, in e-commerce, what are the key success factors in this industry?

Gaurav Rathod: I think for us our known brand is very important even in the e-commerce space because most of the players are either D2C players. So the level of trust is very limited with those kind of players. So I think that's one of our biggest play because we've been in the market for so long and our known players in the houseware space. Also, I think our supply chain, of course, makes a lot of difference in the e-commerce side and we're able to reach the customer quicker.

And I think that's another important reason why e-commerce has picked up. Also, of course, we offer better product lines in terms of our premium product lines, which sometimes don't do very, very well in some parts of GT, but start doing very well on e-commerce. So I think e-commerce is slightly a more premium platform so we're able to showcase our products better and able to garner customers that we would have probably not been able to from our general sales.

Percy Panthaki: Understood. That's all from me. Thank you and all the best.

Gaurav Rathod: Thank you.

Moderator: Thank you. The next follow-up question is from the line of Karan Bhatelia from Asian Market Securities. Please go ahead.

Karan Bhatelia: Hi, thanks for the opportunity. Gaurav, how is your value addition portfolio across categories writing, furniture and consumer brands, how are we seeing this in the next two years to say so?

Gaurav Rathod: So I think that's an evolution. Of course, we are trying to get into much better or slightly more premium product lines. When I say premium, it doesn't mean that we are going out of our segment of mass premium as a brand. We're just trying to improve the product line with better moulds, better processes because that's the mode in this segment. And improvement in because the India still is a very price conscious market and we are wary of that.

And so improvement is coming from purely, purely design and aesthetics and better finishes. I think that's what we have been always doing. And of course, it's an evolution. In the next two years, we would like to evolve into much better overall product lines, which we are continuously doing. And that is where you see gross margins being maintained or slightly improving itself.

Karan Bhatelia: See, for example, in moulded furniture correct me, we are at 15% to 20% of value addition, right? So how is this percentage for the other two core categories?

Gaurav Rathod: So moulded furniture actually is very easy to compare. The other is not really comparable because there is a lot of product lines that some people would say value added, but because the number of product lines are so huge. So when I talk about the newer stuff that we are coming with, so say we added about 300 odd products last year in our consumer ware segment, pretty much 80% of that portfolio was all products that were with much improved finishes and aesthetics.

So I think, I think pretty much everything there over about a couple of years would change to that kind of a product line.

Karan Bhatelia: Okay. Thanks.

Gaurav Rathod: Thank you.

Moderator: As there are no further questions, I would now like to hand the conference over to the management for closing comments.

Gaurav Rathod: Thank you everyone for joining us today. I hope we've been able to answer all your queries. We look forward to such interactions in the future. And in case you require any further details, you may contact SGA, our Investor Relationships partner. Thank you.

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