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Listing Department National Stock Exchange of India Ltd Exchange Plaza, 5 th Floor, Plot No.C/1 G Block, Bandra Kurla Complex, Bandra (E), Mumbai-400051 NSE Symbol: AVROIND	Listing Department BSE Limited Phiroze Jeejeebhoy Towers Dalal Street, Mumbai-400001 BSE Scrip Code: 543512
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Dear Sir/Madam

Sub: Transcript of the Investors Conference Call

Pursuant to Regulation 30 read with Para A of Part A of Schedule III of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed herewith the Transcript of the Investors Conference Call of Avro India Limited ('the Company') held on Monday, 14th August, 2023 at 02:30 p.m.

This is for your information and records.

Thanking You

Yours Faithfully

For AVRO INDIA LIMITED

Sumit Bansal
(Company Secretary & Compliance Officer)
M.No: A42433

Encl: As above

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“Avro India Limited
Q1 FY '24 Results Conference Call”
August 14, 2023



MANAGEMENT: MR. SUSHIL KUMAR AGGARWAL – CHAIRMAN – AVRO INDIA LIMITED

MODERATOR: MS. KAJOL GOWDA – KIRIN ADVISORS PRIVATE LIMITED

Moderator: Ladies and gentlemen, good day and welcome to the Q1 FY24 Earnings Conference Call of Avro India Limited, hosted by Kirin Advisors. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Ms. Kajol Gowda from Kirin Advisors. Thank you and over to you, ma'am.

Kajol Gowda: Thank you. On behalf of Kirin Advisors, I welcome you all to Avro India Limited Q1 FY24 earnings conference call. From the management side, we have Mr. Sushil Kumar Aggarwal, the Chairman of Avro India Limited. Now I hand over the call to Mr. Sushil. Over to you, sir.

Sushil Aggarwal: Thank you, Kajol. Thank you very much. And a very, very good afternoon to all of you. Hello, friends. First of all, I would like to wish you all a very happy and successful day. We are very proud of our country. And as a citizen, proud citizen, I really want to wish you all a very happy Independence Day.

To begin with, I'd like to say that it's a great pleasure to have you all on a conference call to discuss our first quarter performance. We started FY24 on a positive note by reporting total income of about INR23.34 crores, maintaining our EBITDA margin at almost 10%, we reported EBITDA of INR2.30 crores and PAT of INR1.01 crores. This is a testament of resilience, strategic investment, and our focus on cost control.

I believe you all would have had the opportunity to go through the results published in the exchange. What I want to share with you all is the business prospect of Avro India Limited from a future perspective. We saw a reasonably muted Q1 from the standpoint of buoyancy in the market. There was some amount of latency, some amount of, let's say, recklessness, or some amount of let us say, low output, low offtake. But anyway, we are in the process of debottlenecking a couple of things, and out of which, a plastic recycling facility.

And also bringing in new Molds and SQs as per customer taste and expectations to cater to ever evolving consumers across length and breadth of the country, which means we are going on adding product after product, new products so that we can actually challenge the consumer's mindset and offer them something better than that they have never seen. This approach has allowed us to tap the new market and expand revenues while maintaining robust growth.

We are also enthusiastic in enhancing our regional presence and increasing our distribution share. This will eventually increase our presence in Pan India in line with our vision to become a leading plastic furniture manufacturer of India. We are already a national brand with greater visibility in channels across India. Currently, we are operating in 18 states across the length and breadth of the country, right from Jammu and Kashmir to Kerala and to Gujarat to Assam, and three UN territories.

And expanding our reach beyond these geographies to reach out to prospective buyers and consumers due to our wide range of products, which are aesthetically designed, qualitative,

and aggressive pricing to reach critical mass and double our existing turnover rapidly over a period of time.

In the meantime, the demand for recycled plastic is rapidly increasing due to growing awareness about recycling through ESG to whatever government policies mandating the use of recycled plastic by manufacturers and the ability to maintain product quality even with reused plastic after recycling.

One of our prime investments has been in the backward integration through the establishment of plastic upcycling plant. We call it upcycling from the standpoint of validation that we do. Of course, it is recycling in a way as a process, but yes, we are actually delivering value.

This venture will play a pivotal role in driving profitability by effectively managing costs. The pallets or the granules manufactured from this plant are being utilized in our production processes 100% at this point of time. We do not have material to offer to others and this will significantly reduce cost over a period of time compared to market-sourced pallets of granules. This focus on cost optimization will be a crucial driver of our success in today and in future times to come.

We're actively working on optimizing our working capital cycles to enhance liquidity and operational efficiency. Our focus on capacity utilization remains robust, allowing us to maximize productivity by upholding quality standards. Moreover, we've been actively expanding our presence in both online and offline sales channels to adapt to changing consumer behaviour and reach a wider customer base.

We are in the investment phase with equal focus on production as well as increasing marketing reach. Lots of new resources in terms of manpower or anything else for that matter are being deployed in front end and back end in terms of social, digital media, etcetera, so that we can achieve this critical mass and achieve scale and growth.

We believe our efforts will start seeing exponential results in FY '24 and in ensuing years because all the capital investment that is going in deployment of manpower, as well as SKU and recycling put together, we are the only company in the entire country today to become an integrated process manufacturer from post-consumer plastic waste to B2B and B2C having a complete value chain. This is something which is absolutely phenomenal and which means over a period of time, depending upon how much we are able to scale up our operation, this will start giving us the phenomenal results that we've all been waiting for.

So I believe the demand outlook is very promising and would earn us the best rewards for our investment in times to come. I believe in the process and trust has been instrumental in a growth journey and we remain committed to creating sustainable advantages for our stakeholders and shareholders.

Now, let's open the floor for question and discussion. Thank you very much.

Moderator: Thank you very much. We will now begin with the question-and answer-session. The first question is from the line of Alok Damani from Shree Capital. Please go ahead.

Alok Damani: Good afternoon, sir. Congratulations for the great set of numbers. Sir, our EBITDA margin is of 10%, is it sustainable?

Sushil Aggarwal: Is that the only question you have, Alok? Or you have some other question? I will continue.

Alok Damani: Yes, some other questions.

Sushil Aggarwal: Okay, let me answer this one straight away for the time being. You know, interestingly, Alok, I believe that in a manufacturing setup, this kind of EBITDA is reasonably low. It's actually low. It should have been better and higher. But what happens is everything matters in the critical mass scale. And what we are trying to do is geographically we are spreading. We are spreading across the nation and 1.4 billion people with ever increasing rising disposable income and people below poverty line rising to that level.

So when it comes to plastic furniture per se, we are in the category where we are talking of afforestation. We are supporting afforestation from the standpoint to look at these plastic furniture are indoor, outdoor, usable for more than two decades. When I say two decades, it means two decades. All right? And they're so cost effective. And another thing is that 4x to 6x it can be recycled and then later, finally it gets into making of the road.

Now, this particular deployment, what is happening is not only the testing that we have, the range we have, the people that we deployed earlier, we did not have people in South India and West India. Now we have people including Mumbai and you know, Nagpur, etcetera, or Kerala, for the time being, Tamil Nadu, Karnataka, etcetera, Assam, Bengal, wherever, we are having resources now being deployed.

And because we have greater acceptability for past 21 years in the product category that we are into, we have leadership. And not only that, from the standpoint of aesthetically designed products, we have more than 25 designs which are listed in our register, which are very different and unique. And we are 40% cheaper than the national brand. So there are takers everywhere.

So I believe that the moment we reach that critical mass and that scale, Alok, then this EBITDA margin will certainly go up dramatically, which will be very good.

Alok Damani: Okay. And sir, could you please bifurcate for online and offline sales for the plastic furniture?

Sushil Aggarwal: Yes, I'll put it this way, that in last year, we sold more than 36,000 orders on Flipkart, Amazon, Mesho, Jio, and FirstCry, and so on and so forth. In fact, we are number one on Amazon in terms of the reach or the product ranking rating both put together and more than 6,500 zip codes we have served across India out of approximately 19,000 zip codes. So that's take us. So in terms of revenue, I think, I had this note a number of 36,000-plus all that we have served, but revenue breakup I may not have right now, so I would urge you to kindly give me that

time. Let me find out in case if I can give revenue breakup, because I did not want to give you a breakup which I don't have the number, so I'll try to give you that.

Alok Damani:

Okay, sir, no problem. Sir, if any new product introduced in Furniture Portfolio?

Sushil Aggarwal:

Yes, Alok, I'm so glad you said that. In fact, last week, Thursday, Friday, I was in Mumbai, and we have a manufacturer, a mold from China, which they've got it set up here in India. So I ordered a couple of new Molds. As a company, we believe that today, to let us say, excite customers, we need to give them new product categories on the line. For example, if you see mobile phones right from these large corporate software and so on and so forth, they keep sort of giving, or even Apple for that matter.

Apple is the first in this particular category. We keep enticing customers with a new array. So does we. We always ensure that all the obsolete models which are let's say, probably low in the volume discard them. We keep getting newer products so that we are fresh in the industry. And that's probably the reason that today from Ghaziabad or Noida-Delhi to going up to almost 2,500 kilometers deep down to South Kerala. It's not an easy job to go and sell metal there or in Karnataka.

But last month we had one of the highest sales in Karnataka amongst the entire list of the entire July purchase. So which demonstrates that today because of this category of product that we are making and will continue to bring and assure and ensure that freshness remains in the market is what is our domain in 40 years' time and we will capitalize on that.

Alok Damani:

Okay sir and sir as we hear about has we hearing a lot of recycling but it's not transferring into our result. So when can we see the scale in the vertical?

Sushil Aggarwal:

Thank you Alok, you ask a very valid question. This is true that the capacity that we have today, we are unable to debottleneck that for various reasons. When it comes to establishment of a process which nobody has ever seen in the country, because to process post-consumer plastic waste, let's say, we are talking about cement bags, fertilizer bags, wall putty bags, milk pouches, so on and so forth. There is a science behind that and it entails certain process where right from the washing to the grinding, to add loads to so on and so forth, scientific process.

And when we build that, there are no standard specifications of the machine, the infrastructure that are required or desired or that are available in the country. In fact, we are at the national stage in the country when it comes to let's say, recycling or upcycling, most consumer plastic waste, not the industry. Industry, anybody can do. All right, we have to just grind it, that's it. But in this case, because this is science, so what is happening is we are building that scale, we have built that scale. In fact, we had a space of over 30,000 square feet, we added another 25,000 square feet. So right now we have 55,000 square feet.

We have a production ability of more than 600 tons per day. I'm talking to you. We are able to reach about 250 tons of both, but the moment we reach that symmetrical mark and we'll continue to expand month-by-month, month-by-month. And by this year, and we believe that, because our own consumption itself is about 600 tons, 700 tons. So we will consume anyway. And the moment we consume that our cost of production will be low naturally we'll be able to

offer aggressive pricing, so our production output of our finished goods also will increase. And once it increases the consumption in our consumption also will increase so whatever we are producing will get self-consumed.

Naturally, we are the only able to reach that particular mass so what is happening two advantage one is the final product that we're able to sell and offer to the across the country for that matter. Two, the in-house capacity that we're building up in terms of recycling and using it in-house and consuming it. So these dual advantages that we will have will certainly make it a very different company altogether. So the process is taking some time and I believe, we lost Q1, we might probably have challenged Q2 also, but Q3, Q4 onwards it will start looking very-very positive.

Alok Damani:

Okay, sir would you be required to quantify the capex for the same?

Sushil Aggarwal:

Yes, Alok, there are two things. One is that we set up capex, slowly, progressively, step-by-step. That's what we're doing at this point of time. But we are also been contemplating that, I said in the last couple of con call that we have had, that we are also probably looking at a bulk deployment of capex, and which means a greenfield infrastructure, which will have a huge mass, which will be a beautiful, different, scalable model and sustainable model. Because, let me put in numbers.

For example, today, in the pan-India today, more than 60 lakh metric tons, 6 millimetre ton of plastic is available, which is post-consumer plastic, out of which 66% is TP HD LD, which is a primary source of material, which is the most widely spread and used material for that matter, and we use TP in our company. So now that material is available, but there are no takers, there are no refiners, there are no processors. And we got into that first mover advantage, we learned the tricks of the trade and business, and as I said, even the deep bottleneck is happening.

So over the present, because of the abundant availability of this material, we are in a position to actually scale up. Number one the military is available, number two we can process we need to scale up we need infrastructure capex for that. Number three there's a consumption, number four there's an offloading of material also because the consumption is there in the market. So these things I know integrated advantage that we are getting is what we're looking at.

So naturally, there are two choices. One, you go organic. You just go step-by-step, step-by-step, you know, go on increasing capacity month-by-month. That is one choice. Second, we continue to do that, but you know, we also bring in a large capex and ensure that you know, okay, all of a sudden, we scale up this to the next maybe 5x, 6x or 10x also. So we are certainly looking at that option also.

Alok Damani:

Sir, what is the plan of funding for this capex?

Sushil Aggarwal:

That we need to know from you, Alok. Because we as a company, whatever small IPO that we did long back, was very, very small. But in any case, I think the right time is now, where the company actually needs to really go big. And it can. And it has to bear with all. Because we are not just geographically located in North India, we are a pan-India company today, operating out of 21 states. So it's 18 states and three units directly. And we're ever increasing

and rising, and I'm sure we will complete the entire value chain across India. So which means, when we are at the front end, we are a product company. When we are establishing our product everywhere, that means there are takers, there are buyers, and it will be reputed in sales.

Now, we have to only go inward with the, recycling of materials, which is so easy for us to do because we have learned the trick of the trade. Now, only thing that we need to do is expand, which means capital. So when it comes to capital, we are also looking at various options of instruments that are suitable, depending upon what kind of appetite we have, what kind of mark-up we're looking, what kind of scale we're looking at, what kind of investment is possible, doable, and if there are takers, investments actually coming forward for that. And the moment we have a right strike, we'll certainly go for it.

Alok Damani: Okay, thank you, thank you so much, sir.

Sushil Aggarwal: Thank you, Alok.

Moderator: Thank you. The next question is from the line of Miraj from Arihant Capital. Please go ahead.

Miraj: Hi, thank you for taking next question, sir. I have just a few questions. First is, sir, if you could give the volumes for the quarter. And the second one is that I just wanted to have some clarity on the post-consumer plastic recycling line that we have.

Last quarter we had the capacity of 300 tons and right now as you've mentioned it is close to 600 tons. So if I could get some clarity on how is the debottlenecking currently going? How long it will take till it becomes sustainable and when by when do we aim to take it up to 1,000 tons? These are my first two questions.

Sushil Aggarwal: Right, right. First question, Miraj, can you repeat? You had asked about some volume. What is that?

Miraj: Yes, volumes that we processed this quarter.

Sushil Aggarwal: No, no, not recycling. You were just talking about, first question was of something else because I could not hear the problem.

Miraj: It was about the volume, sir. Volume in furniture that you sold this quarter.

Sushil Aggarwal: You want volume quantity?

Miraj: Yes, sir. I'm so sorry, Miraj. I'm not having the quantity in front of me, but I will certainly send that details to you, no problem. I'll probably will figure it out and give you that. Okay. So, but in any case, coming to this particular recycling aspect, which said, no doubt as per the disclosure that we did, I love you asked. We had only mentioned 300 tons. Yes, we did have more than 300 tons, but we know we did not want to over-leverage and say that what is not possible. So anyway, we are reaching 250 tons, 260 tons, 270 tons and that kind of some, we are anywhere reaching.

But right now we are not just sitting quiet. What we're doing, Miraj, is that we have, as a company, we have taken as a policy that we will go on expanding this particular ability of ours to in-house process capability, because the moment we reach, let's say, if we have 1,000 ton capacity, and we're able to reach 70%, 80% of the production efficiency, naturally, the moment we have that, we are able to reach 70%, 80%. But if we don't have, we cannot.

So what we're trying to do is we are balancing that out. And when it comes to debottlenecking, they're very, very small issue. Let's say, you have labour challenges, they need to be trained. You may have equipment, instruments, systems, etcetera, because nothing is very, very standard in the country. And if at all there is something standard coming from China or Europe, it is so expensive, Miraj. Let's say, for example, a washing line from China will cost INR8 crores and when it comes from Europe, it might be anything, it could be beyond our understanding, but we don't spend money like that. We don't splurge.

We understand the logic of spending on capital goods, that it has to be logical. So, what we do is we ensure that without compromising the quality and the cost we actually are able to deliver that kind of value and we are -- what we are trying to do is we are building capacity to a certain amount of material management as a vendor management and through that we not only get the efficiency we also proacticespra we are keeping it very close to our chest at this point of time.

And over a period of time, the moment we keep adding these equipments, it will continue to be debottleneck and ensure that we are able to deliver that kind of volume. So, I think we are slowly. What is happening in a Miraj, there are ways, one can always stack up numbers and say this is the number. Second way is yes when it becomes a building capacity, so there are N number of challenges and issues that happen. But yes, we are absolutely slowly cruising, at the moment we pick up the traction, then it will be a different ballgame altogether.

Miraj: Okay, got it, got it, sir. And sir, if you could just highlight a bit on the demand scenario, how is it looking for us right now, if that?

Sushil Aggarwal: For furniture, plastic furniture?

Miraj: Yes, yes sir on plastic furniture.

Sushil Aggarwal: Incidentally, Miraj, there is a 15% organic growth across India on the plastic furniture. Let's say we are about a billion dollar industry across India and there's a 15% organic growth. So, we know that there are people who are sitting and waiting and watching and probably we need to reach out.

So I'll put it this way, that in the existing market, the demand is silent, which means there's neither going down nor going up. But in the expanding market, the newer market that we are touching, we are getting very good reception. So, we believe that even if the existing market keep performing the way they have been, in the moment we touch these newer sources, then we will be able to reach the different mass altogether.

So we'll get process, and I'm sure we should be able to do that. Miraj, you were asking about this quantity. I have this quantity in front of me. This is 6,49,000 pieces we have sold during the June quarter. I think approximately it's 6.5 lakh pieces we have already sold.

Miraj:

Could you clarify that in tonnage if you can clarify that in tonnage?

Sushil Aggarwal:

Tonnage, Miraj, I have to check because what happens because there are products ranges from 2 kg to 6 kg, 8 kg and so on so forth. So, right now I may not have tonnage in front of me, but I can certainly share that tonnage also.

Abhishek:

I just want to understand in our new state apart from UP, which are the states we are getting very good feedback from the customers and which are the states you are facing challenges at this point of time and we have entered into Karnataka in some of the states where logistic cost is much higher. So how we are going to be competitive there?

Sushil Aggarwal:

Incidentally, Abhishek, thank you very much for asking this question. Number one, when it comes to new state, we never expected that Karnataka would be a, let's say, multibagger for us. Last month we sold more than INR35 lakhs in that particular state in one month alone and probably one of the highest-grossing earners.

Now, what is happening interestingly is that new states having a great receptibility because they probably had been waiting for such products to come because regional specific players were not able to deliver neither the range nor the quality nor the pricing for that matter. So, we were able to do that.

So not only Karnataka, even Bihar, Jharkhand, Assam and West Bengal, these are newer markets that we are touched are doing excellently well, number one. Number two, when it comes to logistic cost interestingly, let's say our median logistic cost is about 7% freight, and we offer, prima facie we offer X factory prices. So, invariably the distributor pays for the logistics.

But in the case of these people who are sitting far off places, what we've done is we've added in logistic cost. We added 14% to the cost of our product and still it was viable for them because instead of 7% to 10% that costed them, another 3% to 4% they are paying extra. But interestingly what happened was that because we have started taking large vessels and volumes in 36 feet, 40 feet containers, etcetera, so instead of INR6, INR7 lakhs material in the container, now we're able to sell INR9, INR9.5, INR10 lakhs material.

So the cost of the logistics instead of 14% has come down to 10% or 11% or so. So, about median in terms of the rest of the market still remains 7%, but the external market has come down to about 10-12%. So, I will put it this way, that 3% to 5% difference does not differentiate or does not derail our pricing policy or our costing to the distributor of profitability that we want to give the market. That's how we have takers. That's how we are not balance.

Abhishek:

Got it, sir. And so final question, if you could give us the brief of raw material cost for the quarter in virgin polymer in post-consumer and post-industrial?

Sushil Aggarwal:

Raw material costs have been absolutely muted. There is no rise because we are all connected to hydrocarbon and if you notice, couple of months, the crude prices have always been in some range bound kind of stuff. So, when this remains like that it obviously, reliance drives the market to a greater extent or international markets also for the bilateral.

Now from that standpoint of view, I think polymer prices of virgin or for that matter, recycle remains the same. For example, virgin, let's assume that it was in the region of INR90 to INR100 rupees. It still is in the same region, but of course, last couple of weeks, there has been a slight increase of INR4 to INR6 on the virgin polymer prices.

But this is where beauty lies Abhishek. The beauty is, let's say, Reliance has the tenacity or the gut to change prices overnight. But markets don't change. But interestingly, when it comes to recycling, because it's a post-consumer plastic, so let's say if there is an increase of INR1 on the Reliance price, then the post-consumer plastic waste might go up by 10 paisa, 15 paisa, or 20 paisa. Even if sometimes it may not go up also because there are no takers.

What is happening interestingly, Abhishek, when it comes to, for example, your milk pouches at your home, your cement bag, sugar, fertilizer, onion, potato and so on so forth, there are a lot of things of this kind, there are no takers. So, invariably they want to push that they want to see somebody takes this and we are once we know we're taking it. So, we don't really face the heat when it comes to raw metal costs for that matter and if there's an increase in the polymer price of virgin, by let's say we use consume 30% of that, so it doesn't really hurt us so much.

We wait for markets to understand or them to rise and only then we probably try to pass on that excess cost to the consumers of the distributor for that matter because we have to be conscious of the fact that we're in a competitive market and because we're able to mitigate and offset to the in-house capacity that we have.

So, we don't really say that challenge and heat, it is not like that. We can always take that call and pick up and say, all right, when is a good time for us to do that, when is a buoyancy on in the market, markets are forward looking. For example, we are connected to mostly festivities, for example, Ganesh Chaturthi and so on and so forth, then Dussehra, Diwali, and then marriages season, etcetera have picked up.

So, we believe that we should have a reasonably good time and right now we are not actually looking at enhancing, increasing prices here and there. We are in the process of building scale and volume. So, what we are trying to do is we are becoming very aggressive in the market in terms of deployment of resources as well as the production ability and offload that entire material across India into various pockets, wherever there is a acceptability and reception is there and to ensure that you know we reach that critical mark where I said you know probably we're looking at doubling the turnover from the furniture standpoint of that's our major goal and the moment we do that not only that scale will offer me a EBITDA, but also the recycling will also add to the benefit of that.

Abhishek:

Right sir, sir if you could also help with the prices, if you have that handy, depends and what would the prices for virgin?

Sushil Aggarwal: Yes, as I said, Abhishek, it fluctuates between INR90 to INR100. For example, Reliance at times, last month or so, they were offering INR4 INR6 per kg for extra discount also because they had to offer a lot of material. So, I think this ranges between INR90 INR100 and I think today it should be around INR100 to INR104 polymer, which is PPh110, that's the grade, or which will be prime facie. And when it comes to recycling I told you, that there isn't any change in that.

Abhishek: Okay, got it. And sir, what would be the input constituents, how much would you be using as virgin polymer right now and post-consumer recycled right now as compared to last quarter?

Sushil Aggarwal: Yes, what we are able to do is 70% we can use post-consumer or let's say recycle material, 30% virgin. So, we continue to buy this 30% virgin in any case. Out of this 70% also, because our in-house capacity is very low, so we are almost buying 40% from outside sources this point. So, only 30% we are able to produce ourselves.

The moment we reach this critical mass by debottlenecking that not only will self-consume this, and recycle this particular virgin also will increase because what is happening is this quality material that we are delivering for market are absolutely spick and span and they're virgin, they're made out of 100% virgin product and they're very good in terms of gloss, color, look, let us say, you have the oranges and green and yellow and so on so forth they can't be manufactured and recycled. Recycled metal have to be little darkish color. So we are delivering that.

So because there's a greater acceptability, because Pan India today, people can sludge, they can spend, and they're looking for quality products and a branded one, of course. So what we're trying to do is we're offering them that excellent quality at a reasonably cheaper price than the national brand. So we are able to succeed there. And when it comes to recycling, of course, we have developed 14 domain out of them. So we are capitalizing on both these things.

Abhishek: Got it. And for the 40% that we are sourcing from outside, I believe it must be post-industrial or post-consumer?

Sushil Aggarwal: It's post-industrial because there are no people actually doing some post-consumer at this point of time, Abhishek, because it requires a very different dynamic. It is of course as I said, if today a company like us, furniture industry and my elder son Sahil Aggarwal is fully dedicated to this particular cause, he is focused only on doing this recycling, upcycling because we believe that, there is not only margin scale but you know benefit and it is serving the interest of the nation.

Also in terms of the revenue success and let's say labour, employment, etcetera, that we generate. And plus, of course, the cost effectiveness that we have. So we are focusing on that. And I'm sure over a period of time, as and when we are able to do that, this entire 40% that we buy from the market will shun it, will make it zero.

Abhishek: Got it, sir. Thanks a lot for answering my questions. I'll get back in the queue. I have a few more. Thank you.

Moderator: Thank you. The next question is from the line of Siom Sarma from PCR Capital. Please go ahead.

Siom Sarma: Hello. My question was about recycling. Is everything consumed internally or sold outside? Also, who are the buyers of recycled plastic?

Sushil Aggarwal: First and foremost, Sarmaji. Our in-house capacity is reasonably low at this point of time. So we are self-consuming everything that I said right now. And the moment, we reach that huge mass, because let us say, we are getting that scale and benefit from this recycling. And the beauty is, I'm National President of Furniture Manufacturers Association. Across India, all the manufacturers consume 5 lakh metric ton of plastic every year. And right now, we are talking of only 5000- 6000 metric tons per annum that we have capacity.

Just can you imagine this not even 1% in a day. So I assume that over a period of time, the moment I have more access to offer to these people, I can always call them up and say, all right, you're buying from others, take it from me. That's it, simple. So it's very easy for us to sell, it's a commodity. It's like, you know, gold, you sell granules, you sell grains, you sell rice. It's like that. You can sell it anytime, anywhere. No issue at all.

Siom Sarma: Okay, sir, I got it. Also, earlier you were talking about expanding region-wise. Are there any targeted regions the company is looking to increase its presence in?

Sushil Aggarwal: You know, Sarmaji, incidentally what happened, long back we thought that we should be a North India based company, we should not go out of this domain, because sometimes we know it doesn't auger. We are unable to service. But the moment we found takers in West Bengal or in Assam or let us say for that matter in Karnataka or Tamil Nadu, we were shocked, because we never ever thought that we can go this far and still sell the material.

And these markets are performing well. So now we have opened up our minds. We are so much open, we are thinking, we will accept from wherever we get the order. Because today I am serving 6500 zip codes across India and we are selling 36000 and odd orders. So if you are able to service to consumers on a B2C model, why not through B2B? If there a taker? So we only need to reach out.

And I'm sure over a period of time, with deep distribution and branding because we have anyway, we have the complete value chain as a product range, as a new SKUs and this and that. But we need to do this deep distribution and branding. The moment we're able to do this, nobody stops us in increasing and enhancing our ability and capacity from what we're doing right now. Is that enough.

Siom Sarma: Yes, sir. Also, what is your marketing spending?

Sushil Aggarwal: See, we have been very low on the marketing spend. We are actually spending only on the resources, with salary, plus let's say traveling, convenience costs, etcetera. But progressively, we are in the process of actually also doing certain of branding and through a brand ambassador. So we have been looking for quite some time that we want somebody who's

affordable, who's sellable, so that we can leverage our production as a brand, our quality, our range, given is the existence with a brand or brand ambassador and probably take it forward.

So I think this, I believe that, maybe third quarter, fourth quarter onward, marketing spend might increase a little more. And I believe that, the moment we have scale and volume coming in, obviously that cost will be offset with a certain increase in the volume. So we are trying to balance the act. We do not want to splurge money just because, Sarmaji, let us say, we can always spend mercilessly, but we want to be very, very low. We want to be very fragile. We want to be ensuring that, we don't overspend or over-leverage our expenses. We want to be very, very, let's say, conservative about it.

Siom Sarma: Okay, sir. What branding budget are you planning for the future?

Sushil Aggarwal: What is the branding budget? Which area of branding are you saying? ATL or BTL? Because right now we are doing a lot of BTL activities Okay. Let us say, advertising material to flex and catalogues and this and that etcetera, in shop promotion. We are doing watches, etcetera.

Siom Sarma: Okay, I mean it's branding and marketing?

Sushil Aggarwal: Yes, when it comes to ATL. ATL is most of television, hoarding, newspaper, print and so on so forth So we are not spending on ATL right now because ATL requires deep pockets. We want to be very conscious. We want to be very, as I said, we do not want to hit arrows in all directions blindly. We want to ensure that, wherever we spend, we get the radish for our money. So as and when, we have the strength or need and necessity, we will ensure that specifically geographically we will do that. If possible and if we can do it, we will do national level.

Siom Sarma: Okay, sir. Thanks.

Sushil Aggarwal: Thank you, Sarmaji.

Moderator: Thank you. The next question is from the line of Miraj.

Miraj: Thank you for taking my question again sir, this is more on clarity part only. So just wanted to clarify that, you mentioned the current post recycling consumer plastic that we're taking that, we have in our plant, we're able to do 260 to 270 tons, right?

Sushil Aggarwal: Right.

Miraj: That is the current. Right. And our current capacity of plastic manufacturing that we have, that is of 8000 tons. So we have a plan to double that. How are we positioned there? So have we taken any steps or any plans regarding, do we want to do it in this year or gradually over next two years? Any plans on that part, sir?

Sushil Aggarwal: Yes, certainly. Miraj, this will go hand in hand. Let's put it this way, 8000 metric ton or whatever 26 lakh pieces, etcetera, that we sold last year, 25 lakh pieces. You would like to bring 25 lakh pieces to 50 lakh pieces over a period of time, which is not going to happen overnight. I'm sure we will expect, next three years or so for us to do so.

We are keeping FY '26 as a target. We will double the turnover. Or maybe earlier than that, depending upon how fast we are able to cruise, depending upon the capex that we deploy. So naturally for that, you'll require a couple of machines, couple of molds, and we'll just add on. It's not that, we require a Greenfield project, it's not necessary.

Just keep on adding one after the other. it's like, scaling up, increasing the volume. So I think, a couple of about five to 10, I'll put it this way, approximately about INR10 crores will go into the capex as far as the furniture manufacturing is concerned, in terms of adding machines as well as molds, etcetera. And this INR10 crores should certainly give us almost a double volume from what we are doing now. And when it comes to recycling, assume that from 8,000, we go to 15,000 metric tons in the next couple of years, depending upon how fast we can.

So when I'm saying three years, it doesn't necessarily mean three years. It might mean it can happen maybe in the one or two years also depending upon how fast we are able to deliver and move. So today let's imagine that from 8,000 we go to 15,000 tons. Right now, we have about 6,000 metric ton capacity in our plant right now, in a recycle. Or maybe 6,000 to 7,000 tons, let's assume. Because I have 600 tons, so it comes to 7,200. Okay, but we're not stopping it.

What we're doing is, parallelly we are going on increasing this, we want to take it to 12,000, 15,000 tons or so. So that over a period of time, 70% that we consume should be available from in-house production itself. And while we are doing that, naturally approximately, let's say, if we reach 15,000 tons and 10,000, 12,000 tons, we are able to consume and manufacture in-house, it will be very good. So which means we don't have to go and sell and request anybody for that matter. And just whatever 3,000, 5,000 tons we have, we can certainly offer to others.

But please, we do not want to stop that at here in, Miraj. We are very conscious. I was mentioning about capex. The moment we have a little bit more access to the capital, then we will ensure that we set up a big plant, Greenfield plant, which is apart from the existing running capacity that we will have. This will continue to operate. But we will set up a big plant because as I said, I am repeating this again, that the material availability, raw material availability is so abundant, Miraj.

Today if I were to, let's say in factory, we normally have a challenge. People say, take my goods first, take my goods first. Because they just come without our information. So availability is good, conversion is good, or let's say we have only process, that's the problem, we have to sort out that, and there's a consumption also. So what's the problem? There's no problem, except that we need to deploy the capital.

So to deploy capital, we have sources, that is one day the internal accrual, plus certain access to debt, we can certainly leverage that. But otherwise, in case there's a large capital that we can spend, and there's certainly availability of capital, then you should certainly give us a leverage over that. Then overnight, instead of waiting for a couple of years a month, we can maybe next six months or so, we can set up a big plant. So we are in the process and we are scouting for it, looking for it, and since all of you are listening to it, I'm absolutely open to this idea, let's say

suggestions or let's say advises etcetera from all of you, how we can scale it up, how we can go.

As a company today, I can assure and say one thing, Miraj, that we hold the greatest potential that is of possible in a SME segment company like us. Because we understand the DNA and geniuses of plastic molding injection extrusion technology with a complete 360 degree value chain from post-consumer to B2B, B2C, I said earlier and we understand the geography, the demography also. And I think I had mentioned sometime back, long back probably, I'd like to repeat today that I lived in Bangalore for about 25 years. So I speak Kannada, Tamil, Telugu, and Malayalam also a bit of Malayalam.

So geographically since I travel across India, I resonate and connect with the masses and the people. So it's pretty easy and comfortable for me to be crisscrossing between the across nations to ensure that we are everywhere. So these are a couple of small-small advantages that Miraj we have. It is just that, what happens is, we need to scale it up. And to scale up, we can go gang-ho. All right, overnight we scale up to the next level. That is one choice. Second is go organically, step-by-step, baby-step. Right now we are doing baby-step. But we are certainly looking for an opportunity to scale up to the next level.

Miraj:

Got it sir, got it. That's very clear. And sir, just one final part. Currently what we are doing is 260 tons per month, which we have the capacity to take to 600 right now through debottlenecking. By when will we be able to do that? Any timeline on that? Will it be a couple of quarters from now? Or how will we be able to do that?

Sushil Aggarwal:

I wish, Miraj I could have used AI to deliver that result but in a manufacturing process You know, interestingly Miraj Because there are no standard specific manufacturers across the country for post-consumer plastic use So we have to teach people, make the machine like this, do it like this. And you know half the time I'm so sorry to say that our homegrown entrepreneurs, especially in the SME segment, are deprived, short of technology, commitment and understanding, and in-depth understanding of the engineering for that matter.

This is a challenge we face. Had we got the ecosystem, let's say for example in China, China has got a developed ecosystem today and I could have suddenly said, all right, I need this, this, this, x, y, z, come on, get these things, put it in my shop, shop and let's start operating. So today from 30,000 square foot, I added another 25,000, 55,000 square foot facility I'm operating. For why? Not for 250 tons, but for 22,000 tons. So today I want these people to understand and deliver those equipments and other things to me.

As I said, I can always buy Chinese stuff and say, alright, I bought Chinese. For what cost? What cost? Why should I pay for vessels? I understand the technology. We know how it can be done. So why should we be spending this large money? What can be taken from China? We will do it for 25% cost here. What can be taken from Europe? We will do it for 5-10% cost per year.

So we are in the process of that. Of course, as you said you know there are hiccups also because we are relying on these people and its taking time to teach them to brain, to brain, to

brain from them or to probably take them on board. It's okay it's a process but we'll certainly be able to do it I am sure, as you said, you how fast I wish I could do today like itself like a genie, I could have said Allahuddin, do it today. I'm waiting for it.

Moderator: Thank you. Well, that was the last question in queue. I would now like to hand the conference back to Ms. Kajal Gowda from Communitated Vendors.

Sushil Aggarwal: Before that, Riyo, I'd like to thank Alok, Miraj, Abhishek, Sharmaji, everybody and all those who have not asked questions. I can assure you one thing, friends. As a company, this company, I'm only a trustee. And me and my family, my two young children, plus the team of people, they're all dedicated to ensure that over a period of time, we become a sustainable, scalable institution. It stays forever.

And because I believe in the story of Pan India, the GDP growth, the economic condition, in my own see, the kind of, let us say, the rapid improvement that are likely to happen from \$3 trillion, we're looking at becoming \$33 trillion by 2050 or 2047. That's the vision of Honourable PM sir. And I'm sure, I can assure all of you, that as a company we are the in the forefront. We are the leaders. But we only need to take this to the next level.

And all this will come through advice, suggestions, guidance, support. It could be morally, financially, emotionally. And I'm absolutely open to any idea from all of you for that matter, not only offline, online, including personally, physically, feel free to come to the factory. This is your factory. You know whatever questions you have today, once you visit and feel the entire presence yourself, it will give you extraordinary excitement and that will percolate into your confidence in turning this company to the next level. So we are waiting for it and thanks a lot to all of you for joining today. Thank you very much.

Kajol Gowda: Thank you sir. Thank you everyone for joining the conference of Avro India Limited. If you have any queries, you can write us to at research at kirinadvisors.com. Once again, thank you, everyone. Thank you, sir.

Sushil Aggarwal: Thank you, Kajol. Thank you, Riyo. Thank you very much. Have a nice day, all of you. And very, very happy Independence Day. Thank you.

Kajol Gowda: Thank you.

Moderator: Thank you very much. On behalf of the Kirin Advisors that concludes the conference. Thank you for joining us. Ladies and gentlemen, you may now disconnect your lines.