INDUSTRIES LIMITED
(Formerly known as DOMS INDUSTRIES PVT. LTD.)

Ref No. DIL/SE/24-25/23
Date: May 29, 2024

To,

The Manager
Corporate Relationship Department
BSE Limited
Floor 25, Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai - 400 001

The Manager
Listing Department
National Stock Exchange of India Limited
Exchange Plaza, Bandra Kurla Complex
Bandra (East),
Mumbai - 400 051

BSE Symbol - DOMS
BSE Scrip Code - 544045

NSE Symbol - DOMS

Dear Sir/ Madam,

Sub.: Transcript of the Investor Conference Call on Audited Financial Results (Standalone and Consolidated) for quarter and year ended March 31, 2024

Pursuant to Regulation 30 read with Part A of Schedule III and other applicable regulations of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended, ('**SEBI LODR Regulations**') please find enclosed the transcript of the Investor Conference Call for the Audited Financial Results (Standalone and Consolidated) for quarter and year ended March 31, 2024, held on Monday, May 27, 2024, at 03.00 p.m.

The transcript of Investor Conference Call has also been uploaded on the website of the Company and can be accessed through the following link:

https://domsindia.com/pdf/Investor_Relations/Investor_Presentation_and_Transcripts/Q4_FY24.pdf

This is for your information and records.

Thanking You,
Yours Faithfully,
For DOMS Industries Limited

Mitesh Ashok Padia
Digitally signed by Mitesh Ashok Padia
Date: 2024.05.29 18:10:59 +05'30'

Mitesh Padia
Company Secretary and Compliance Officer
Membership No.: A58693

Encl.: As above

“DOMS Industries Limited

Q4 & FY '24 Results Conference Call”

Monday, May 27, 2024

Disclaimer: E&OE - Please note that some portion of the concall may have an audio spoken in language other than English which has been translated in English language in this transcript primarily for ease of reading. Further, in case of discrepancy, the audio recordings uploaded on the website of the Company will prevail.

MANAGEMENT: **MR. SANTOSH RASIKLAL RAVESHIA – MANAGING DIRECTOR – DOMS INDUSTRIES LIMITED**
MR. RAHUL SHAH – CHIEF FINANCIAL OFFICER – DOMS INDUSTRIES LIMITED
MARATHON CAPITAL, INVESTOR RELATION ADVISOR – DOMS INDUSTRIES LIMITED

MODERATOR: **MR. ANIRUDDHA JOSHI – ICICI SECURITIES**

Moderator: Ladies and gentlemen, good day and welcome to DOMS Industries Q4 FY '24 Conference Call hosted by ICICI Securities. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star, then zero on your touchtone phone. Please note that this conference is being recorded.

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

Aniruddha Joshi: Yes, thanks, Saranju. On behalf of ICICI Securities, we welcome you all to Q4 and FY '24 Results Conference Call of DOMS Industries Limited. We have with us today, Senior Management, represented by Mr. Santosh Rasiklal Raveshia, Managing Director, and Mr. Rahul Shah, Chief Financial Officer.

Now I hand over the call to the management for initial comments on the quarterly as well as annual performance, and then we will open the floor for question and answer session. Thanks and over to you, sir.

Santosh Raveshia: Thank you, team. Good afternoon, everyone. It is our pleasure to welcome all the participants to the earning call conference for Q4 and financial year ending March 31st, 2024. Joining me on this call is Rahul Shah, our CFO, and the team from Marathon Capital, our Investor Relation Advisors. I hope everyone had an opportunity to go through the investor presentation and result release that we have uploaded on the exchanges and our company’s website.

We are pleased to report on a year mark by positive achievements and strategic initiatives that have reinforced our growing position in the stationery and art material market. This has been yet another year of consistent performance and the results are testimony to the growth strategy backed by growing acceptance of the DOMS brand. We have crossed INR1,500 crores of operational revenue mark in the fiscal 2024 with further elevation in margins.

We endeavored to set the company on course of a sustained high performance trajectory with a mix of judicious and bold moves. Listing on the exchanges in the last financial year was one of the significant milestones for DOMS. We have been very happy with the way capital market investors have welcomed us and truly aim to live up to the best of their expectations. India, with its demographic advantage and on the back of increased focus and emphasis on child’s education and overall development, has emerged as the most attractive consumption destination and provides a huge growth opportunity to be addressed.

We continue to prioritize our growth in the Indian market, focused distribution network expansion and customer-centric approach and are in area in process of adding new capacities which bodes well for our company in the medium and long term. Commencement of construction to create one of the largest single unit manufacturing facility at our 44 acre land in Umbergaon shall pave way for significant capacity additions for the coming years.

The Bhoomi Poojan ceremony for the said land was recently held with a zeal to seek divine blessings and I am happy to inform that the construction for this capacity expansion is underway in full swing. Further, we have started capacity expansion for our wooden pencil division which we expect to commercialize by end of Q4 FY '25. This along with our regular capex at existing facility will result into improving manufacturing capacities and put us on the path of sustainable growth.

Further, to support our growth strategy, we shall endeavor to continue expanding our differentiated product offerings which are associated through the growing years of kids, children and young adults. The company's recent foray into ballpoint pens and scholastic adhesives was a step in this direction and I am very pleased to share that we have received positive response from our consumers and trade. This reinforces the company's strength in introducing attractive superior quality and value-added products.

Further, our recent acquisition of 51% stake in SKIDO Industries, a school bag manufacturing company has helped us to enter into exciting back-to-school product segment. This move also complements our existing portfolio and distribution network.

We continue to focus on strengthening our connect with our consumers with interactive and focused marketing initiatives. Our launch of the DOMS Art League encourages children to engage in art contests, aligning perfectly with our endeavours to foster a lifelong love for art amongst children. Further, the recent inauguration of our DOMS Painting Studio at KidZania in Mumbai, R-City mall, offers an exciting avenue for children to experience our entire product range and explore their artistic talents in an interactive way.

Looking ahead, we are focused on further expanding our product portfolio and exploring new products and categories within the stationery and art material market, as well as products which are complementary.

We remain optimistic about the prospects of the company and remain focused to deliver on our growth agenda. We seek to leverage our market position, understanding of consumer preferences and manufacturing expertise to pursue growth opportunities that shall expand our market share and help us in delivering consistent growth.

With this, I would like to hand over the call to our Chief Financial Officer Mr. Rahul Shah for the update on Q4 and FY '24 financial overview. Thank you very much.

Rahul Shah: Thank you Santosh Bhai. Good afternoon everyone. Coming to the details of our financial performance highlights for the quarter-ended and for the full financial year ended March 31, 2024. Our revenue from operations for Q4 FY '24 grew by 20% to INR 4,037.4 million as compared to INR 3,364.8 million in Q4 FY '23. A 26.8% over the financial year to reach INR15,371 million as compared to INR 12,118 million in FY '23. This increase in sales was predominantly on account of increase in volumes coupled with marginal increment in our ASPs.

The EBITDA for Q4 FY '24 grew by 22.6% to INR 759.3 million as compared to INR 619.3 million in Q4 FY '23 with a margin expansion of 40 basis points over the same period last year and stood at 18.8% as compared to 18.4% in Q4 FY '23. On a full year basis, we saw further elevation in our margin profile with EBITDA growing by 46.1% to INR 2,727.3 million as compared to INR 1,866.6 million in FY '23 and a margin expansion by 230 basis points to 17.7% as compared to 15.4% in FY '23.

This margin expansion was on account of the increase in ASPs, lower material costs resulting from better pricing due to improved payment terms and fall in raw material prices coupled with efficiencies playing out on account of scale and size of operations. All of this resulted in our PAT for Q4 FY '24 to improve further with a growth of 29.6% and achieved a PAT of INR 469.3 million as compared to INR 362.1 million in Q4 FY '23.

PAT margin for Q4 FY '24 expanded by 80 basis points to 11.6% as compared to 10.8% in Q4 FY '23. PAT for FY '24 grew much higher by 55.2% to INR 1,596.6 million as compared to INR 1,028.7 million in FY '23 with PAT margin expanding by 190 basis points to 10.4% as compared to 8.5% in FY '23.

The operational front, we continue to focus on expanding our manufacturing capabilities to capitalize on the growth potential and continue gaining market share. Towards this aim, we have spent approximately over INR 125 crores in capex excluding WIP and have recently added about 100,000 square feet of manufacturing floor space in commercial production during the last 6 months and are on track to add another 100,000 square feet in the current quarter.

On the working capital front, our debtors are typically in the range of 10-20 days on account of certain credit to FILA Group, Modern Trade Partners as well as select credit to some of our old relationships in our general trade segment. Further, in the last financial year, on account of better liquidity we have reduced our payable cycle. This has also helped us to negotiate better rates with our suppliers which has resulted in better margins. On account of this, there has been a slight increase in our working capital cycle to around 49 days.

With this, I would request Aniruddha to open the floor for questions and answers. Thank you very much.

Moderator: Thank you. The first question comes from the line of Percy with IIFL. Please go ahead.

Percy: Hi, sir. Congrats on a very good set of numbers. I just wanted to understand from you for FY '25 what would be a realistic margin number to go with, because in the past 2-3 quarters, whatever we have guided, we have over-delivered on that. So, are you keeping some sort of buffer in your estimates or what actually is the potential of the business to deliver realistically in terms of margins while at the same time meeting your top-line aspirations?

Rahul Shah: Hi, Percy. Thanks for the question. Like you know, we always like to maintain a conservative approach when it comes to guiding for margins. We believe now with the scale and size that we received, their estimate would be between that 16% to 17% range. There has been a change in the product mix where certain products which are higher on other expenses and lower on material consumption have increased, which has resulted in the consumption margin improving in the current year. But going forward on a conservative basis, we would like to continue with a forecast of about between 16% to 17% in terms of EBITDA margin.

Percy: Got it. Secondly, on the school bags business, what kind of ramp-up should we be expecting here? Is it going to be a very gentle, slow-burn kind of thing or do you think that we can expect some material top-line out of this in FY '25?

Santosh Raveshia: So, Percy you know basically, this particular school bag, back-to-school business is something which was missing in DOMS portfolio. I'm sure you must be aware that basically, the school acquisition very recently in place, we have already missed this particular back-to-school season. So, for us, the entire year is going to be ramping up ourselves to create a very out-of-the-league product line first and then offering the same to our consumer in a small back-to-school which we'll see prior to Diwali and in between Christmas. So, the idea is to test this particular line for now and get ready for the next year.

Percy: So, next year, let's say we talk about the big back-to-school season which is, let's say, March-April next year. How do we, I mean, as investors and analysts, how do we evaluate this opportunity for you? Can you give some idea in terms of how big is the market? How much is the organized portion? Or the other way to do it is, what kind of capacities you are putting up and what kind of capacities you will have by, let's say, March-April next year. And if I just assume, let's say, a 70%-80% kind of capacity utilization at that point, what kind of sales can it generate?

Santosh Raveshia: Basically, we ourselves are in the process of understanding this particular market to the fullest right now. You are well aware that this particular category is a mix of unorganized and a little bit of organized, of course. So, what our take right now is we'll be slow enough to begin with, with a small manufacturing facility currently.

And we would like to take this as a, not very immediate, but at least as a five-year plan to reach the expectations of our own expectations and also the investor expectations. So, it's going to be a slow process, but a very guided process and a very concrete business, in times to come. Because with our network in place, where we are a pan-India brand, I'm sure for us to reach to our trade and consumer is much faster than...

Percy: Right. And also, at the time of IPO, there was also some talk of a possibility of entering into some other segments like water bottles or tiffin boxes, or even at some point of time, copier paper. So, any kind of thoughts on the timelines as to when you would like to enter these categories, whether it is sort of a priority for you or you think that you have enough on your plate with the existing products anyways?

Santosh Raveshia: As I said, as of now, we are trying to understand the entire back-to-school line. As per the philosophy and policy of DOMS, we don't want to go to the market with a me-too line of products. Whenever we would like to get into this particular back-to-school line, we would want to be very different and very user-friendly.

So, it's quite early to right now say, but yes, we are in the process of educating first ourselves in this particular category and then adding our investment plans. So, maybe in another conference calls, we would be able to elaborate better on this.

Percy: And any thoughts on copier paper?

Santosh Raveshia: No, no, not really now.

Percy: Okay. I'll come back in the queue, sir. Thank you very much.

Moderator: Thank you. Next question comes from the line of Mehul Desai with JM Financial. Please go ahead.

Mehul Desai: Hi, good afternoon, sir, and congratulations on a great set of numbers. So, first question, obviously, is on scholastic stationary. If you could just bifurcate this 9% kind of growth that we have seen in the quarter, if you could give some flavour on the sub-segments within this scholastic stationary. So, how is pencil done? If you could then give some flavour on that. And how do you see this scholastic stationary and scholastic art materials going forward? These are two large categories for you. How do you see FY '25 for these two categories? And what would be the drivers apart from capacity additions?

Rahul Shah: Hi, Mehul bhai. Mehul bhai, honestly we have witnessed growth across almost all our product categories, but within the scholastic stationary, we have seen growth in pencils, which was backed by certain capacity additions that we did. Similarly, in mathematical boxes. When we talk about scholastic art material, we saw volume increase, again, backed by capacity addition in watercolor pens, in our wax crayons and oil pastel segments, which are the key products in this segment.

So, overall, like I said if I have to say, across all products, we have seen growth, wherever capacity additions have happened, significant capacity additions, then we have seen higher growth.

Mehul Desai: Okay. And some idea on how, obviously, how exports have panned out, and I understand, I think last quarter also, because of demand weakness in the international market, export growth was relatively lower. So, how has that done in 4Q? How do you see exports, both to FILA as well as your own brand, going ahead in FY '25?

Santosh Raveshia: Yes, so, Mehul bhai, as a company our priority has always been to domestic markets. And for us, it's a good problem that we have always been at a short supply to our existing Indian trade. So, looking at last quarter dynamics, the entire year dynamics, if I can say, the domestic demand was, just good for us, and for us, it was important to service that in priority.

Export, of course, comes with a lot of attraction, but, with the new capacities adding up, as we have briefed, we'll be able to become more vigilant on servicing our international markets as well. But currently, we are just trying to service our existing, domestic trade. And as far as, business from FILA, for the entire, for the stationary line, we have, entire, like we have our open books like, order books available to service FILA demand. But again, currently, we are giving priority to our domestic particular market.

Moderator: Thank you. Next question comes from the line of Hardik Doshi with White Whale Partners. Please go ahead.

Hardik Doshi: Yes, I'm just following up on the question on the scholastic art material and office supplies. Those are the big two drivers. The biggest one, obviously, being scholastic art material. So, is there anything besides this capacity addition, I mean, have you done anything different that is allowing you to kind of gain market share here? And going forward, as well what is the kind of strategy and how it look out here in terms of market share gain?

Rahul Shah: Hardik, the idea remains the same across all products like Santosh Bhai mentioned, we always had this good problem of short supplies. And because of this, whenever we've added capacities, we've seen positive traction. And at the same time, the company continues to invest significantly in research and development, product development and our focus on introducing more products in our existing categories where we are expanding the depth of our product portfolio, giving better options and new options to our consumers.

All of these things are helping us in terms of ensuring that whatever additions that happen in terms of capacity are well accepted in the market. As a result of this the growth is being consistent.

Hardik Doshi: Okay. And again the question I'm asking besides capacity addition is there anything different in your go-to market strategy that is driving the market share gain? Or I mean the strategy you follow is consistent?

Santosh Raveshia: Our offering of exceptional product line something which Indian consumers there are too many products we have launched in past which Indian consumers never expected. And I'm sure that is one of the strongest reasons why we are getting very quickly accepted. Of course, when it comes to offering these products to the market which are very unique they are still affordable.

So, because, we have enough backward integration in place, so it's not that, it's very heavy to our consumers. It's comfortable for consumers, good for trade, and good for us as well. And I'm sure this particular phenomenon is working well and the acceptance is absolutely right.

Hardik Doshi: Got it. Going to the Scholastic stationary part, I mean, that was obviously the message and like we've been trig the exposure to this particular segment, did you think it was 46% same quarter last year and now it's down to 42%. Maybe overall the market's not growing as quickly. As you enter into bags and other areas and also expand into Scholastic art material, and other segments, how like over a three to five-year period, what do you think our percentage of total sales will come from Scholastic stationary?

Rahul Shah: So, Harsh, I wouldn't say it is there has been a reduction in Scholastic stationary. If you see year-on-year basis, Scholastic stationary has grown by approximately 21%. Other segments have grown a little higher because there were capacity additions planned for those segments, like in Scholastic art, we increased the capacity for crayons we increased the capacity for sketch pens. And then you would also see kits and combination bags growing at about 21%, which takes material from all segments, including the Scholastic stationary segment. So it's more a factor of capacity addition rather than a market factor where we are seeing saturation.

So today also if you analyze our finished goods, you'll see our finished goods are still at the minimal -- finished goods inventory are still at a minimal level. And because whatever we are producing across segments, including scholastic stationery segments, they are in high demand, continue to be in high demand. It's more a factor of capacity addition rather than any slowness or saturation in the market.

We are optimistic about this segment where the largest contribution comes from wooden pencils. And therefore, as we mentioned earlier, we have started the process of further enhancement of pencil capacity. And we believe that by Q4 '25, that capacity addition should come in commercial production.

Hardik Doshi: Okay, understood. And just lastly, on the export front, while I understand that your focus is a domestic market and you're short of supply in a lot of areas and adding capacity. Export is a potentially a big opportunity, right? Especially given the shift from China towards the rest of the world. So, and it's a very large market. Is there any thought of like maybe accelerating capex towards like not to try to cater towards that market and grow that now that the opportunity is there?

Rahul Shah: So, accelerating capex, if you would see, we've already spent about INR 125 crores in the past year. We are going full swing in terms of enhancing our capacity, starting the construction on this 44 acre land. So on the capex front, we are as aggressive as possible. During the last quarter also we did inform that we started our pen manufacturing unit in commercial production in a record time of 90 days from the time the plant was -- building was handed over to us.

So, we are being as aggressive as possible. It's just that the domestic demand and the demand for DOMS branded products are so high that we would first want to focus on that. Yes, export and FILA group export remain attractive proposition. And as and when we have significant capacity addition, we'll justify that demand as well.

Moderator: Thank you. Next question comes from the line of Yash with Stalion Assets. Please go ahead.

Yash: Hi, thank you for the opportunity. Just wanted to know, what will be your capex number for FY'25?

Rahul Shah: Yash, we are planning for a capex of around INR 210 million to INR 225 million for FY'25. Sorry, INR 210 and INR 225 crores for FY'25. This will be like we mentioned for the setting up of the building at the 44-acre facility as well as for enhancing our capacities for pencil and the regular modernization and upgradation capex that we continue to do in our existing infrastructure.

Yash: Sure, thank you. And any revenue guidance you would like to give?

Rahul Shah: So, as mentioned in the last call also, we would continue to maintain a revenue guidance between 22% to 25% for FY'25.

Prathamesh Dahake: Sure, thank you for the opportunity. Thank you.

Moderator: Thank you. Next question comes from the line of Sneha Talreja with Nuvama. Please go ahead.

Sneha Talreja: Hi, congratulations on a great set of numbers, sir. A couple of questions from my end. Firstly, regarding your pens rollout. We started with five cities. I just want to know the progress. Where are we and what's the kind of growth that we're looking out for in this particular segment? And from INR5 pens. Of course we had a launch there. Which are the range of pens that we've already launched? That's one. Second question, I'll take it after this.

Santosh Raveshia: So, thank you. Basically, for us, our important customer has always been young kids, school-driven consumption. So, this was the reason why we entered into INR 5 pen and also continued, like, further elevated with INR 10 pen as well. As of now, the thought process is very clear. We want to remain within the interest of this particular TG of scholastic. And further, once we are mature enough in this space, we'll think about going ahead. But for now, it's more of scholastic consumption pens only.

Sneha Talreja: Understood. And what about the states? Are we PAN-India now or we are planning to be there?

Santosh Raveshia: Yes, we have launched PAN-India. But it's the same we have a very good problem. Again, we are unable to supply across. But, yes, we have launched now PAN-India. And the product is getting a very good response from trad as well as from consumers as well.

Sneha Talreja: Understood, sir. So, that's great. So, the second question was regarding you mentioned about DOMS Painting Studio. If I'm not wrong. This is the first of its kind. So, could you explain us the concept and what are the kind of benefits that you're seeing from the same?

Santosh Raveshia: I'm sure you are from Mumbai.

Sneha Talreja: Yes, I am.

Santosh Raveshia: Okay. So, there is a, like, there is a mall, a very famous mall, which is R-City Mall. So, there we have, there is one kids' land, which is KidZania. So there we have opened up our DOMS Painting Studio, where there was a very common question from everyone that how can we see DOMS entire range and where. So, this is one place we were able to explore where lots of kids are always experiencing this place. So, here a kid can spend good enough time to create, to educate himself/herself to do the art more and spend good time, with our products. So, the process was very simple that, kids experience our entire range in one particular destination.

Sneha Talreja: Understood. But do we look out for more such, stores or studios that you call it, like, Pan India? I just wanted to understand that particular thing.

Santosh Raveshia: At least we would try to, put up such places, such experience zone in atleast metro cities, atleast Tier 1 cities of India.

Moderator: Thank you. Next question comes from the line of Bharat Sheth with Quest Investment. Please go ahead.

Bharat Sheth: I want to get some sense that we are seeing that some segment of our company is growing fast. Some is not growing. And so, is it because the demand is lacking or we are having a constraint on the manufacturing side? And if at all, so how do we really try to resolve that jigsaw puzzle over the next three, four years so that all segments which is growing, we can grow much faster rate than the market?

Rahul Shah: As I mentioned, the constraint or the growth factor has been the capacity addition. So it is wherever we have added capacity at that point of time, in those categories, we have grown better. In other categories because the overall sales have increased, therefore, you will see as a percentage where capacity addition has not happened would have been a little lower. But otherwise, it is more of capacity additions.

Going forward, like I said, we are focused on increasing our capacities for writing instruments, for adhesives, for pencils, adding more in terms of our marker and highlighter range. So these are the aspects which will drive the growth in the coming years.

Bharat Sheth: Okay. So on coming to this hobby and craft as well as fine arts product, Indian market is growing at a very rapidly pace as well as there is a lot of import is also happening because the kind of, I mean, material is not available in India or maybe price point is. So how do we really see that market for our company and what is our strategy for that market?

Santosh Raveshia: So, it's a very interesting question. So basically, this particular segment, as you rightly said, it's growing at the most fastest speed right now in India. And as a company, we are also not, ignoring this space. We are fully concentrating on this space. So you would have, like the Indian market has already started experiencing our launches of fine arts where we have been able to launch around five SKUs until now. And going forward, many more SKUs to be launched in this entire year.

Followed with like the hobby segment, hobby and craft segment. Here again, we are emphasizing very well on this particular segment as well. So we'll be experiencing a lot of, different type of fabric paints and a lot of different type of range like experiences like, FixyFix from DOMS being launched very soon. So we are fully focused on this particular segment as well. And we look forward to this as one of the futuristic take for our brand.

Bharat Sheth: To understand a little more color on this, I mean, how much this segment is currently contributing to our top line. I believe it's around less than 2%, 3%. So how do we see this business over the next five-year type journey?

Santosh Raveshia: Basically, this particular segment, I think should become at least close to around between 3% to 5% of the DOMS portfolio in another three to five years.

Bharat Sheth: Okay, great. And, sir, last question on my side. Sir, there has been an announcement by the government in August 23 on the new NCA. So do you think, will it have any kind of impact on our business on the scholastic side?

Rahul Shah: So historically, since last few years, we've been seeing that the efforts the government has been taking in terms of promoting education and the holistic development of the child has resulted in positive demand for stationery products. While there have been a lot of initiatives and different programs by which government has become a large buyer, both at the national level and the state level, they've become large buyers for stationery products.

This has also helped in changing, even at the lowest of the grassroot level, the rural market, a shift happening towards pencils and books and colors from what used to be chalk and slate. All of that has bode well for the scholastic stationery segment. So we are excited about the new policy also, and we believe it will further aid in the growth of these products.

Bharat Sheth: And last question sir, how many schools do we cover as for marketing of our product as an influencer on the student?

Rahul Shah: So, Bharat bhai, since our distribution strategy centers around the general trade segment where more than 75% of our sales comes from this segment, and we've been very prudent in terms of ensuring and protecting this general trade segment to build a very positive and long-lasting relationship with them. And hence, we've never taken any direct orders from educational institutes. Whatever orders or inquiries that we get have always been passed through our channel partners, and we encourage them only to entertain such requests. So we as a company never do any direct sales to such educational institutes, and that's always routed through our channel partners.

Bharat Sheth: Sorry, sir. My question was that how do we really influence -- the school is a major influencer on the children. So how do we really take their help in influencing children? Of course, sales may be generated through the general trade, but how do we really work on that part?

Santosh Raveshia: So, Bharat bhai, as a company we've always like since our, we have always decided that we'll not influence schools to buy our products. So we directly we never approach schools and try to influence them. But as schools are well familiar with the product, we are within their checklist and priority list. But as a company, we have never done any influencing.

Bharat Sheth: Hello.

Santosh Raveshia: Yes, Bharat bhai.

Bharat Sheth: Thank you very much, sir and all the best.

Moderator: Thank you. Next question comes on the line of Yash with Stallion Asset. Please go ahead.

Yash: Hi. Thanks again for the opportunity. Sir, I just wanted to understand that because in Q4, our revenue growth was just a tad bit below our guidance. So is it because we had a lot of capacity constraint and that's why we were perhaps not able to grow at around 25%? If you can just give us some color on that, is it our plans are running at 100% utilization or how is everything, especially in your art material and stationary segment, which I believe are the largest?

Rahul Shah: Yash, we grew by almost 8.5 plus percent in the quarter four compared to quarter three. This has been in line with our expectations also. So like I said, it's been more wherever like scholastic arts, scholastic stationary, where capacity additions have come in, for example, writing instruments, which is a part of office supplies that has also grown as expected. So the numbers have been much in line with what we had expected. There have been no surprises on that end.

Yash: Right. So is there any category where you have like almost 100% utilization, for example, or you need to add capacity a lot in the next couple of quarters?

Rahul Shah: We are in the process, like I said, currently in this quarter, our one more additional unit of almost 100,000 square feet for writing instruments is going to get into commercial production in the current quarter itself. Plus, in our existing infrastructure, what modernization and upgrading capex that we've done that will allow us to improve our capacities in few of our products. And by Q4 we'll have capacity for pencil, wooden pencil where we are almost close to over 90 plus percent in terms of utilization. That will also kick in. So these will help us to achieve our target for the current financial year.

Yash: Sure. And so any new categories I know you went to the school bags, but anything else that you have in mind in next year or any new categories that you're looking for to enter?

Santosh Raveshia: Yes, we have already identified certain categories and already launched categories like fine art. There are certain lines which are like within hobby and craft. So I think we would like to emphasize right now on what we have already have within the plan and which is substantial for another couple of years to address. Of course, we are about to launch one very niche category of a little of, for toddlers, so which is going to be one of its kind.

Yash: And sorry, so I didn't get that. You're saying a new category for toddlers?

Santosh Raveshia: New category for toddlers. Yes. So that is the brand of DOMS Tots.

Rahul Shah: Okay.

Santosh Raveshia: Yes. So that will again be an exciting for the kids who are little less than three years as well.

Yash: I see. Okay. Thank you.

Moderator: Thank you. Next question comes from the line of Ankit Kedia with PhilipCapital. Please go ahead.

Ankit Kedia: Sir, first question is on the regional mix. If I look at FY '23 to '24, broadly the regional mix remains the same. But if I look over the four-year period in the north and in the east, they're growing at a slower pace compared to our west and south going. I just wanted to know what the next few years, how is being the distribution mix, which is happening in south and west? And will we continue to see a faster growth in these two geographies?

Rahul Shah: So, Ankit, we have historically, also you've seen, our sales is very much in-line with the population concentration of the country. So north and west being the populous, more populous regions of our country, there we have higher sales compared to east and south.

But, in west I would just like to put in here that there are certain merchant export sales that happen from the company which get categorized into the western region since those customers are based in western region. So the number of west looks a little higher.

But if I remove this, then it is a balanced regional mix whereby justifying the population of the region. And hence, I think this mix would continue to remain the way it is, not have a material change.

Ankit Kedia: Sure. And second is, are you seeing a faster growth in Tier 2, Tier 3 markets? How is the distribution connected to the grassroots level apart from the promotion activities which we do? And, be it at INR 3-INR 5 pencil as customers upgrade in those geographies as well, from a medium term perspective, are you starting to look at that as well? Or you are seeing more low hanging fruit, capacity constraints. So, that will take a more longer time?

Santosh Raveshia: So what we have seen in last couple of years, like there has not been, too much difference between the thought process of consumers from Tier 1, Tier 2 or Tier 3 cities. For example we launched a pencil pack of INR 125. And you'd be surprised to know that we got more reception from Tier 2 and Tier 3 markets.

So, like, as I always say that, DOMS products are super great offerings to consumers, but also at a very reasonable, affordable prices. So every consumer and every consumer at every center, needs a good stationery. So DOMS has become the best of its, best that to buy for a consumer, across, Tier 1, Tier 2 or Tier 3 cities. The traction is same across. We are also emphasizing ourselves, we are not discriminating on different fronts. So we are also giving the same justice to all these particular markets. And the results are already expressed.

Ankit Kedia: And my last question is on the channel mix as well. We are seeing modern trade and quick commerce gain a lot of market share for a lot of other FMCG and consumer brands. Are you under penetrated in these channels? And do you think from a medium term perspective, these channels can grow faster than GT and you being more closer to the consumers or that is not on the plans currently?

Santosh Raveshia: As of now, nothing, no market, no trade is ignorable. But as we have been very strong, domestic GT driven brand. For us, we are - I would be very fair enough to say that we are more focused on general trade, but we are doing well in modern retail as well. But still the focus is more on GT.

Ankit Kedia: Any particular reason why? Because modern trade is only 3% of our sales, which is compared to the country modern trade is more than teens kind of a contribution. Right?

Santosh Raveshia: We have a typical good problem, as I said that is supply. So whenever it is meeting the demand of the customer, we try to meet the demand of those general trade in priority. So this is the reason we are unable to justify right now to our modern trade customer. But with the growing capacities and all, we will be able to justify them as well very soon.

Ankit Kedia: Thank you so much. All the best.

Moderator: Thank you. Next question comes from the line of Manish Goyal with Thinqwise Wealth Managers. Please go ahead.

Manish Goyal: Yes. Congratulations, Santosh bhai and Rahulji. I have a couple of questions. First on the capacity expansion, what we are doing, like probably adding to like square feet and adding capacity for wooden pencils. So would it meet our 25% growth for FY '25? Or we still have some capacity left for growth in FY '26? Just want to know like what kind of revenue capacity are we creating at the existing facility? That was question one.

And second on, again, question related to capacity, like at our greenfield facility, I believe it will be over phases. So, what is the plan for phase 1 in terms of how much capacity we are creating? What is the capex we are likely to do? When do we expect the phase 1 to start contributing in terms of revenue? Will it have probably a better asset turn than the existing facility? These were a couple of questions. I have a couple of more and I'll come back to it.

Rahul Shah: So Manish, honestly, capital expenditure or capex capacity addition is a continuous process. So what we spoke about guidance of growth of revenues of between 22%-25% for the current financial year was basis the capex plan we have in the current year. There is a capex plan for the year next also.

So capacity addition is going to be a continuous process and that will drive our revenue growth for the next few years in the short to medium term. In terms of the greenfield expansion to the land area that we have, which is about 44 acres, this eventually we will be able to have about 1.8 million to 1.9 million square feet of space dedicated for manufacturing activities. This development will happen in a phase-wise manner. In first phase, we will have 600,000 square feet of development in terms of building area. In second phase, another 600,000. And in the third phase, between 600,000 square feet to 700,000 square feet will come in.

So over a three-phase sort of a project, which we believe will conclude by FY '27-'28. So and that's where capacity addition would keep coming in. In terms of putting in the numbers we would want to take this as and when it comes in because we would, depending upon the market dynamics, the need of the market, we want to keep that flexibility in terms of where and which segment we would like to grow. But in the near term, like we mentioned, the focus is going to be on writing instruments, adhesives, fine arts and scholastic stationery pencils predominantly.

Manish Goyal: Sure, Rahul bhai. So probably when do we expect this phase one of 600,000 square feet to start?

Rahul Shah: So I think by first quarter of FY '26-'27. So by March-April 26, we expect it to start.

Manish Goyal: Okay. And what would be the capex in the phase one, sir?

Rahul Shah: The overall capex, like we put in the prospectus, the overall capex for this project was about INR 450 crores. So that was the phase one. This is about 600,000 square feet that we are talking about, out of which land, which we'd already purchased, was already done. The remaining was about INR 380 odd crores for which, which would be spent across the next couple of years.

Manish Goyal: Sure, sir. And last question on, we were probably looking to enter the toys category also. So any plans on that which you would like to share?

Rahul Shah: So Manish bhai, for us the toy, the acquisition we did in the toy segment was more to understand the market, understand what sort of product needs to be developed and to see how these products can complement in our existing distribution network. So we continue to remain in that phase. We are focusing right now in redesigning the product to match the current distribution network of our company with the feedback and the learning that we are getting.

We are slowly changing the product mix with the requirements. So once this learning phase is over then we would be in a better position to answer your question in terms of how do we see the future panning out for this product category.

Manish Goyal: Sure. Thank you so much and wish you all the best, sir.

Moderator: Thank you. Thank you. Next question comes from the line of Mohammed Patel with Care Portfolio Managers Private Limited. Please go ahead.

Mohammed Patel: Yes, I have one question. So just wanted to know your thoughts on the industry. How is the back to school quarter panning out versus last year? And also, what are your expectations for the industry growth for FY '25 versus '24?

Rahul Shah: So honestly, for us, things are moving as anticipated. We continue to grow every quarter. At a broader industry level, honestly, we do not have any exact numbers because we are present across different sub segments of the industry. But for our products, for our, in the market that we are present, we are seeing good traction and we believe the momentum would continue. There would be a continuous growth for us and we will be able to achieve the target that we set for ourselves.

Moderator: The next in line is Bharat Sheth with Quest Investment Advisors. Please go ahead.

Bharat Sheth: Thanks for the second time opportunity. So is that fair understanding that we need to continuously invest in the capacity to grow our business? That's a fair thing because the opportunity is humongous. So in order to understand. Hello.

Rahul Shah: Yes, Bharat bhai, go on.

Bharat Sheth: So understand that how this capex funding we will be able to meet or do we have to again visit the market or?

Rahul Shah: So Bharat bhai, partly yes, we will have to in the short to mid term continue to invest in increasing our capacities. In terms of meeting the capex requirements, we believe with the funds that we've raised from the market currently and going forward the internal accruals the company will generate, we will be able to meet our funding requirements, especially to the three phases of this expansion that we spoke about.

Bharat Sheth: Okay. Thank you very much and all the best.

Moderator: Thank you. Next question comes from the line of Prathamesh Dahake with Motilal Oswal. Please go ahead.

Prathamesh Dahake: Hi, sir. So writing instruments happens to be one of your future growth drivers. So wanted to understand how big do you see this business becoming in the next three to four years in value terms?

Rahul Shah: So Prathamesh bhai, at the product level, we would not really want to give any sort of a specific guidance. But like Santosh bhai mentioned that with the initial launch with the limited number of SKUs, we have seen a good positive response from our trade partners as well as our consumers. And the company has plans to continue to increase its product offering in this segment. A new capacity is also being added. So we believe this would become a key goal driver, but we wouldn't want to comment anything on the specific number with respect to this segment.

Prathamesh Dahake: Sure. So would you give us some color of...

Santosh Raveshia: Prathamesh bhai, I would also like to add here that we would be fully conscious about our assets turn rationales as well.

Prathamesh Dahake: Okay. So with the existing writing instrument capacities and the ones which are coming live, can you give us how much capacity will we have and what is the revenue potential or something like that?

Rahul Shah: Currently, our capacity that we have for the overall pen business is about 2 million pens per day. We are currently in the process of having test runs at the new facility where we will be able to add another 1 million pens per day in terms of capacity. So we will overall have about 3 million pens per day in terms of capacity. And then, as we mentioned, with the construction now on in full swing at the 44 acre plant, once that building is ready, then we'll add more capacity for our writing instrument business.

Prathamesh Dahake: Okay, sir. Understood. That's all from my side.

Moderator: Thank you. Next question comes from the line of Priyank Chheda with Vallum Capital. Please go ahead.

Priyank Chheda: Sir, my question is on distribution. We are present in 1.25 lakh retailers. How much of the universe is yet unmet or untapped? And within the existing coverage, how are we tracking the throughput to increase? So the two parts of the question is, one, how much do we plan to add which is unmet and how much depth can we create within the existing distribution channel?

Santosh Raveshia: So basically, as of now, as you said, we are catering to around 120,000 plus retail outlets. What is important for DOMS today is to service the already existing customer to the fullest. So we are not right now because we have this problem of supplies. We are not right now adding more retail outlets to our universe. We want to, first of all, fully satisfy the needs of the existing one. And once we have the new plans in place, new capacities in place, we'll be adding more outlets going forward.

Priyank Chheda: Perfect. And so what would be the sales contribution coming from the new products that we have developed over the last one year or two years, whatever numbers you would like to call out for?

Rahul Shah: Specifically, like I mentioned, at product level, we would not want to give any numbers. But as you can see from our sales mix, Scholastic Stationery has done better than the company growth rate because of capacity additions and higher revenues within the segment in crayons and watercolour pens. Office Supplies has done better, which has been driven by increasing capacities for pens. So these are the products which have done better. So has Mathematical Instrument Boxes and Wooden Pencils.

Priyank Chheda: Perfect. Thank you.

Moderator: Thank you. Next question comes from the line of Sunny, an individual investor. Please go ahead.

Sunny: Yes. I just want to know that in the last two quarters, your material cost as a percentage of sales has come down about from 61% to 56%. So is it due to a better price realization or a decrease in raw material price or something like that?

Rahul Shah: Sorry, we couldn't get the first if you can just ask the question.

Sunny: I just want to know that your gross margin has increased in the last two quarters from the earlier two years. So what is the reason behind it? The increase in gross margin.

Rahul Shah: So the increase in consumption margins have been on account of three factors. One, our ability and to increase the selling prices have resulted in our ASPs increasing a bit, which has been because of increase in selling prices as well as change of product mix. At the same time, there have been certain cost rationalizations that have happened because of better procurement.

And lastly, like I said, there have been certain products which we recently enhanced capacities where, material consumption in the overall cost is lower and direct expenses are higher. So, that change of mix at the product level with more sales from product with lower consumption margin, but higher direct expenses that has also resulted in consumption margins improving.

Sunny: And secondly, can we explain, is there any seasonality factor between the four quarters or is it even out throughout the year for your entire sales?

Santosh Raveshia: So, Sunnyji, you will see that, DOMS product split, is in a way that, it has got very low limitations of, back to school seasonality. So, there are major of products which, are used, mainly daily, by kids, in the day-to-day activities. So, we don't have, of course, there is a back to school time, but still as a company, we have a very balanced, quarterly business, happening at company level.

Sunny: So, it's more or less similar throughout the year, your entire sales?

Santosh Raveshia: Across, yes. There is more demand, there is too much demand, at the time of back to school, but still, the demand is not always, settleable.

Sunny: And so, lastly, you were commenting about a new product for the toddlers. Can you throw some more light or is it confidential as of now?

Santosh Raveshia: A little bit, maybe in next call, we can have more discussion on that, if you are okay.

Sunny: Okay, sir. That's it. Thank you, sir. All the best, sir.

Santosh Raveshia: Thank you.

Moderator: Thank you. Next question comes from the line of Saurabh Jain with HDFC Life Insurance Company Limited. Please go ahead.

Saurabh Jain: Hi, sir. Thanks for the opportunity. I had a question on the previous remark that you made that some of the products for which you have expanded the capacity for which the consumption margins are higher, but the direct cost is also high. So, what do you mean here by the direct cost?

Rahul Shah: So, there are certain products in our, where we manufacture, where in that particular cost sheet of that product, you will see the consumption of material being lower, but direct cost like electricity, direct labour, that being a little higher, right. So, that is why, the consumption margin looks better, but you will see a little bit increase in our employee cost also, which would partially offset the margin improvement.

Saurabh Jain: And my other question is, since you're expanding very fast on this writing instruments category, even in the existing facility and then the new plant you're setting up, and along with that other categories in the art material segment. So, just want to understand from a EBITDA margin perspective, are these categories margin accretive from the current like overall margins or are they in the same ballpark range?

Rahul Shah: So, as we'd always mentioned earlier also, across almost all our product categories, we work with a very cost sheet sort of a driven approach, keeping the targeted EBITDA in mind, and that is how the products are priced. So, even for this product segment, this is where we would like to be and, that makes us a little more comfortable as well.

Saurabh Jain: No, I understand that. What I'm asking is that in terms of the expansion that you're doing in the select few product categories, those products have higher margins than your overall average currently or that can lead to margin expansion in the future or how is the case? I'm just asking from the…

Rahul Shah: Only, Similar margins.

Saurabh Jain: Similar margins. Okay.

Rahul Shah: Yes.

Saurabh Jain: Yes, that's it from my end. Thank you.

Moderator: Thank you. Ladies and gentlemen, that was the last question for today. We have reached the end of question and answer session. I would now like to hand the conference over to the management for closing comments.

Santosh Raveshia: So, thank you everyone for joining over this call. We look forward to talking to you again very soon. Thank you everyone. Bye-bye.

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

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