



Duroply Industries Limited

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Ref: 5404/24-25/0028

May 30, 2024

Department of Corporate Services

BSE Limited
25th Floor, P.J. Towers,
Dalal Street, Fort,
Mumbai - 400 001

Scrip Code: BSE: 516003

Sub: Transcript of the Earnings Webinar held with respect to the Audited Financial Results for the quarter and financial year ended March 31, 2024

Dear Sir/Madam,

With reference to our letter no. 5404/24-25/0023 dated 21st May, 2024 regarding intimation of the Q4 FY 24 Earnings Webinar, post declaration of the Audited Financial Results for the quarter and financial year ended March 31, 2024, we are enclosing copy of transcript of the said webinar.

The transcript of the webinar is also available on Company's website at www.duroply.in.

This is for your information and record.

Thanking you,

Yours faithfully,

For DUROPLY INDUSTRIES LIMITED

KOMAL DHRUV
Company Secretary

Encl: a/a

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Q4FY24 & FY24 Earnings Webinar

of



Duroply Industries Limited

on Friday, May 24, 2024

at 1430 hrs IST

Represented by

Mr Sudeep Chitlangia, Chairman
Mr Akhilesh Chitlangia, MD & CEO
Mr Pawan Kumar Verma, CFO



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Q4FY24 & FY24 Earnings Webinar

– **Mr. Navin Agrawal :**

– Good day, ladies and gentlemen.

– It is a pleasure to welcome you on behalf of Duroply Industries Limited and SKP Securities to Duroply Industries Q4FY24 and FY24 Earnings Webinar. We have with us Mr. Sudeep Chitlangia, Chairman, Mr. Akhilesh Chitlangia, MD & CEO and Mr. Pawan Kumar Verma, CFO. This webinar is being recorded for compliance reasons and during the discussion there may be certain forward-looking statements which must be viewed in conjunction with the risks that the company faces. We will have the opening remarks by Mr. Chitlangia followed by Q&A session.

– Thank you and over to you, Akhilesh.

– **Mr. Akhilesh Chitlangia:**

– Thank you, Navin.

– A warm welcome and good afternoon to everyone. Thank you for attending our earnings webinar for FY24 and the quarter ended March 2024.

– Duroply has over the years built a strong brand in the industry and is recognized across the country for its high standard of quality which has been maintained over the years. The company has been continuously working on expanding its market presence gradually over the last few years and will now focus on further consolidating the existing markets as well as entering into new markets.

– In the 4th quarter the board of directors approved the infusion of Rs. 43.9 crores of equity by way of preferential allotment of equity shares and warrants. Of this Rs. 28.9 crores approximately was received at the end of March against the preferential allotment of equity shares and 25% of the warrants that were issued. With this infusion over the last two years the company's balance sheet will be strengthened by over 72 crores of net worth infusion. This will allow us to rapidly scale the business especially on an asset light model and in addition allow us to procure material on better terms. Thereby resulting in substantial margin improvement.

– On the business front during Q4 FY24 Duroply has reported a revenue of Rs. 84.46 crores an increase of 0.2% from the same period last year. It is up by 5.8% from Q3 FY24. However, the business reported a loss after tax of Rs. 1.23 crores for the quarter. For the year, revenue stood at 323.42 crores up from 302.34 crores, a growth of 7%.

– PAT for the year stood at 1.01 crores as against 5.23 crores in the same period last year.

– The demand for our products were flat as reflected in our quarter-on-quarter revenue numbers. The overall business environment was quite subdued towards the end of the 4th quarter for multiple reasons, in particular the credit crunch witnessed in March due to the new MSME Act that had a significant impact on the retail side of the business. For the quarter, revenue from in-house manufacturing in Rajkot stood at 53.68 crores, down 6.1% on a year-on-year basis but it was up by 12.8% on a quarter-on-quarter basis. Revenue from our contract manufacturing stood at 31.5 crores a growth of 12.6% year-on-year but down 4.1% quarter-on-quarter. For the year ended revenue from in-house manufacturing stood at 195.88 crores, down 5.34% year-on-year and revenue from contract manufacturing was up at 36.1% ending at 126.8 crores.

– Our COGS compared to the previous quarter saw an increase ending at 66.9% for the quarter as compared to 66.1% that was maintained over the previous quarters. This was largely due to sale of some slow-moving inventory both in raw materials as well as finished goods at a significantly lower realization that in turn hurt our profitability.



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- EBITDA margins for the 4th quarter stood at 2% as against 7.2% in Q4 FY23 and down from 3.9% in Q3 FY24. For the year ended the EBITDA stood at 4% as against 5.9% in the same period last year.
- In addition to the decline in our cost of goods sold, sorry, in addition to the decline in our gross profit margin as explained earlier we substantially increased our marketing spend in the 4th quarter. Our marketing spend in Q4 stood at 6.4% of sales as compared to 3.6% of sales in the previous 9 months. As a result, our annual average marketing spend stood at 4.3% of sales. This spend though was strategic in nature as we expect a strong return on our demands in the future as a result.
- On the product segmentation, sale of Duro range of products saw a flat return this year with only 1% growth over previous year. And our foray to the mid-price markets through our secondary brand Tower saw strong growth of over 40% for the year.
- To boost a sale of our premium products after significant research we had launched Duro Advantage Lifetime Guarantee with 9X safety on select premium products. This was rolled out throughout all markets across Q4 and initial response has been extremely positive from the trade. Therefore, we expecting very a strong growth in our premium segment product in the coming quarters.
- In addition the launch of Duro Beyond Blueprints a podcast series covering the design philosophy and journey of leading us in India has significantly boosted the company's brand equity with the influencers. The podcast is available on the company's YouTube page Duro TV as well as on Spotify.
- I now request Mr. Pawan Verma, our CFO to take you through some of our numbers.
- **Mr. Pawan Kumar Verma:**
- Thank you, sir.
- Good afternoon to everyone. Let me take you through some of the key financials from the last quarter in the last year.
- For the quarter our COGS stood at 66.9% as compared to 66.1% in the previous quarters. Same last quarter year our COGS stood at 65.7%.
- For the year COGS stood at 66.3% as compared to 64.8% in the previous year.
- Our employee cost stood at 10% of sales in FY24 as compared to 9.5% in FY23.
- As told by our MD sir the marketing spends for the year stood at 4.3% of the sales as compared to 4.1% of the sales in FY23.
- Interest cost as a percentage of sales stood at 2.5% of sales as compared to 2.3% of sales. Our debtor days has stood at 39 days of sales as compared to 35 days during the previous year.
- Our inventory consumption has been up by 149 days as compared to 134 days in the previous year. Our creditor days has been decreased from 109 days of consumption from 119 days in the previous quarter.
- As a result the cash conversion cycle has been increased to 79 days in FY24 from 49 days in FY23.
- Thank you.

- **Mr. Akhilesh Chitlangia:**
- Thank you, Pawan.
- So, FY24 was a challenging year for us at many fronts. However, with the latest infusion of capital into the business we are extremely optimistic on the path ahead for us. Both in terms of revenue growth as well as margin improvement. And this will be achieved through better working capital management.
- And with that, Navin, if we can open the floor for some questions.
- **Mr. Navin Agrawal :**
- Thank you, Akhilesh and Pawan.
- Since we now open the floor for the Q&A session, request you to raise your hand and we can take your question. We will wait for some questions to line up.
- We will take the first question from Dilip Sahu. Dilip, please unmute yourself and go ahead.
- **Mr. Dilip Sahu – Participant:**
- Yeah, am I audible?
- **Mr. Navin Agrawal:**
- Yes.
- **Mr. Dilip Sahu :**
- Thanks for the opportunity. Basically, I have two questions, you mentioned about the MSME Act and how it created difficulty. So, can you just elaborate on what is the impact of it to us versus our competitors? Is there going to be a differential impact to us versus our larger competitors, I mean I am just trying to figure whether it is an even tilt or is it going to be particularly unhealthy for us.
- **Mr. Akhilesh Chitlangia :**
- Sure, so, Mr. Sahu, you know, for the micro and small enterprises the way the Act is - payments have to be cleared within 45 days of the date of invoice. Now, the retailers, you know, the industry is 75% unorganized and 25% belong to the organized player. So, the retailers therefore by that logic to 75 of their business from micro and small enterprises and they withheld payments to the larger organizations including us as well as I believe many of our competitors and therefore they slowed down their procurement to meet their statutory liability towards the micro and small manufacturers. This was a one-time phenomenon which I think has impacted our industry as well as the numbers that I have seen from the other industries as well that have come out, this is a one-time impact. I don't think we are any better or worse off from our competition on this, it is just a one-time impact that happened starting from the end of February and all the way through March.
- **Mr. Dilip Sahu :**
- Good. My second question was is regarding Tower brand versus Duro brand. If we look at last almost one to one and half almost one year, the Tower brand has been doing far more better compared to Duro brand in terms of percentage growth maybe it is because the base, I don't know. But in terms of qualitatives without looking at the numbers and looking at basically dealers and sales force are they trying... I am just trying to understand how they view these two brands in terms of comforts of sales, are they trying to kind of undercut one versus the others or is there a thin line between Tower brand guys & Duro guys. Because Duro I think is,

not taking into consideration the new launch that you have, is a little bit subdued, isn't it?

– **Mr. Akhilesh Chitlangia :**

– Yes, so brand Duro, so in our total revenue 70% of it, sorry, 80% of it is coming from Duro, 20% now stands at Tower. So, [a] the base is smaller for Tower and, you know, we have an inverted triangle in our company. In the sense that normally the lower priced product should have a bigger share in the market and the premium product tends to have a smaller share. And that's the reason why the uptake on Tower has been very strong. We only entered this segment 2-3 years ago, that's why it is catching so much traction. It is a cause of concern that Duro should have organic growth at least it has still been growing at the industry rate or higher than the industry rate because we have a lot of scope of growth in that segment as well. And to address that we have done a relaunch of our product features and the type of guarantees that we are providing on the product to stay ahead of the competition and that will now fuel the future growth for brand Duro. How we segment the two? Duro comes with largely a lifetime guarantee from insect infestation. Tower does not carry the type of guarantee that we provide on Duro. So, there is a complete different product and brand differentiation that exists and the price point is also quite far apart. Therefore, I don't see any cannibalization happening on this front. I hope that answers your question.

– **Mr. Dilip Sahu :**

– Yeah, more I was trying to understanding if you give a sales guys two products, one is a premium product difficult to sell and one is a commodity product or maybe commercially more price sensitive product, the sales team tends to sell which is easier to sell, I am coming from that perspective. Like are we giving a tool which is self destructive to us and is better to grow at 7-8% Duro instead of growing at 14-15-16% combined.

– **Mr. Akhilesh Chitlangia :**

– While that is partially true, there are two trends that are happening especially in the larger metro cities, people are not spending as much time on making material purchase decisions, they are giving it on turnkey basis to carpenters and contractors. Now, if that is the trend that is happening, and we are witnessing that, or it is going to furniture manufacturers, then the furniture manufacturer chooses a material that gives them a certain amount of profit margin better than the other. And that is where Tower is allowing us to fight for market share in the space. As I said I do not envisage any kind of cannibalization happening. This would have been a risk had there been any cannibalization that Duro sales are being converted into Tower. I do not see that happening right now or any time in the near future.

– **Mr. Dilip Sahu :**

– Sure. I have 3 more questions I can ask or you can take somebody else.

– **Mr. Navin Agrawal :**

– Dilip, can we request you to please rejoin the queue.

– **Mr. Dilip Sahu :**

– Yeah, I will take it later.

– **Mr. Navin Agrawal :**

– We appreciate that. We take the next question from Pradeep Rawat. Pradeep, please unmute yourself and go ahead.

- **Mr. Pradeep Rawat – Participant:**
- Am I audible?
- **Mr. Navin Agrawal :**
- Yeah, you are loud and clear please go ahead.
- **Mr. Pradeep Rawat :**
- Good afternoon and thank you for the opportunity. I am new to your company so I have some small basic questions. You said you have an asset light model, I would to understand what is this asset light model, can you please explain about it.
- **Mr. Akhilesh Chitlangia :**
- So, Pradeep, our main plant is in Rajput in Gujarat which is the company's owned and operated manufacturing unit. A couple of years ago because we realized that the brand has a lot more strength than what we were manufacturing in-house, we tied up with selective contract manufacturers across India who manufacture largely the Tower or the lower end segment product and some of our premium segment products on our behalf with our quality control parameters in check. We have seen a very good return and acceptance of the model in the market and therefore our focus right now is to grow our revenue over the next few years through the contract asset light model. I hope that gives you an idea.
- **Mr. Pradeep Rawat:**
- What percentage of revenue would be this from contract manufacturing?
- **Mr. Akhilesh Chitlangia:**
- Contract manufacturing currently is approximately 40% of our revenue.
- **Mr. Pradeep Rawat – Participant:**
- So, we are getting close to 121.50 crore of revenue is coming from contract manufacturing.
- **Mr. Akhilesh Chitlangia:**
- Yes, just over 130 crores, yes.
- **Mr. Pradeep Rawat:**
- And the remaining 170 crores is from our....
- **Mr. Akhilesh Chitlangia:**
- 195 approximately is from our own plant.
- **Mr. Pradeep Rawat – Participant:**
- Okay, so we have an asset turnover of 2?

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- **Mr. Akhilesh Chitlangia:**
- I will check on that number.
- **Mr. Pradeep Rawat :**
- Okay. And my other question is regarding the pricing, so what kind of premium do we fetch over like non-branded plywood, can you explain about that?
- **Mr. Akhilesh Chitlangia :**
- That would be very difficult to give an exact answer because even in the non-branded there are multiple product segments and you know construction of material and quality of material that is sold. But typically like-to-like products across the industry...brands tend to enjoy anywhere in the range of 18 to 25% premium over the non-branded segment.
- **Mr. Pradeep Rawat:**
- Okay, with respect to our margins, so we have pretty lower margin with respect to our peers, so any specific reason for that?
- **Mr. Akhilesh Chitlangia:**
- Yes, so if you see the history of our company the last few years had been quite difficult if you go back 5-6 years. And the strength of our balance sheet was quite weak. Our creditor days were quite high and you know when you are getting funded by creditors there is always a cost to it. So, our cost of procurement was on the higher side and we didn't have sufficient working capital to grow and therefore overheads were higher than the competition because the revenues were not growing. And therefore, two years ago 28 crores of net worth was infused into the company and in addition another 43.9 has been infused now. With this balance sheet correction we have sufficient working capital as well as strengthen our balance sheet to reduce our cost of procurement going forward and through this we expect to see our margins proving in the medium to long term.
- **Mr. Pradeep Rawat :**
- What kind of margin guidance would you give like sustainable kind of margins?
- **Mr. Akhilesh Chitlangia:**
- I think actually 2-3 percentage point improvement on our margins should be expected over the next 18 to 24 months.
- **Mr. Pradeep Rawat:**
- 6-7% kind of margins?
- **Mr. Akhilesh Chitlangia:**
- Yes, in that range.
- **Mr. Pradeep Rawat:**
- So, that would be like lower than our peers in spite of improving.

- **Mr. Akhilesh Chitlangia :**
- I would still like to be a little conservative on that number. Our aim is to be at the benchmark of the industry. But we will have to, I think, probably a couple of quarters from now, I think, 19:14-19:16 audio lost how fast we can reach those numbers.
- **Mr. Pradeep Rawat:**
- Okay, thank you. Thank you and all the best.
- **Mr. Navin Agrawal:**
- Thank you, Pradeep. Friends, anyone wishing to ask a question, please raise your hand. We'll unmute you and take it. In the meanwhile may I request Dilip Sahu to go ahead with his questions.
- Dilip, please unmute...
- **Mr. Dilip Sahu:**
- Can you hear me?
- **Mr. Navin Agrawal:**
- Yes, Dilip. Please go ahead.
- **Mr. Dilip Sahu:**
- Basically three questions and one is regarding investment you talked about, you know, our employee cost is a little bit elevated. I heard it, I'm assuming it is a little bit elevated because of investment. So considering not, you know, kind of dividing it into north and east, south, where is the investment going on in terms of our employees and sales and Sun days and advertisement?
- **Mr. Akhilesh Chitlangia:**
- So our employee cost today 10% of sales this year as compared to 9.5% across the last year. The reason for the slight growth in the employee expenses was us not hitting our revenue estimates. And that was resulting because of certain working capital challenges that we face through the year. With those now being resolved and getting further resolved in the near future, I think the employee cost expense will start coming down and getting rationalized as parallel to the industry average. We are strong in the northern part of the country. And that will always remain an area of focus for us. But we are also seeing a lot of growth and development happening in the south and west for us as a brand. And there will be some invested elevation for us in terms of expenses in those markets. But we will be moderating those and you know, we have to play a very fine balance between doing too much investment and seeing the return on it. So we'll be keeping an eye on that. In terms of marketing spend, our marketing spend stood at 4.3% of sales. Our industry average is normally 3 to 3.3%. But we made a commitment a couple of years ago that we would be out spending to grow faster. And I think we will be 21:55-21:57 audio lost in the near future. I hope that answers.
- **Mr. Dilip Sahu :**
- Yeah, it does. Thank you. And you talked about 6 to 7% margin, which from the last answer, I just heard. So, does it mean that we will not grow much faster that 25% we talked about in the past or is it that you are you know, thinking that... and you're being a bit cautious. And what I'm saying is that we grew from say 200 to

300 crores in one year and kind of slowed down and so it's a catch 22, right? Now that we have got enough cash on hand, thanks to the equities, can we not expect a 20 plus percent kind of growth and does it not mean that we will have better margin than 6, 6 and a half, 7%?

- **Mr. Akhilesh Chitlangia:**

- So well, we do want to grow at those pace. But I think we have to also be realistic with the type of competition and economic conditions that are in the country. Two years ago, we had what we call built-up, pent-up demand. Now I think that is more or less gone away from, you know, now that pent up demand doesn't exist. And therefore I would say I think a growth in the mid-teens is something that we should be looking to achieve over the next two to three years consecutively. Also with the infusion of capital, we are going to work on getting our raw material procurement on better terms, both combined should see the improvement on margins. I just would like to be a little conservative at this point of time. And I think once we have those numbers up and running, we'll be a little bit more bullish in our future projections. But I think, it just better to be slightly on the more conservative side, that's how I am personally, bullish inside, but to the outer world slightly conservative.

- **Mr. Dilip Sahu :**

- No, no. That's good, but just trying to... I'm not trying to push you; I'm just trying to just think together that as you... So obviously, you know, as an investor, there could be two ideas I look at. One is that we are going moderately 9-10-11%, but we are not really diluting equity and we are funding the whole growth through internal capital, which is good, that is one option which is a good option. And the other option is that we are looking at, okay, we have diluted twice in last two years, right?

- **Mr. Akhilesh Chitlangia:**

- Yeah.

- **Mr. Dilip Sahu:**

- Luckily for us at a much higher version compared to the first dilution, but you know, the other one, then we are looking at 2025 kind of growth and we dilute to grow. And then at a particular critical level, we just break free and say okay, that's it, we have reached and we will be not diluting. Both of the sides are good. But if we don't do either of the two, then there is a kind of death of middle, right.

- **Mr. Akhilesh Chitlangia:**

- No. Yeah. We are going to avoid the death of the middle, Mr. Sahu, to be honest. The idea is to grow faster than the industry, to grow, as I said, in the mid-teens, the growth has to be sustainable. It has to also not, you know, what happens tends to happen, a rapid growth is credit in the market also tends to go haywire. So, we have to be very conscious of that as well. And I think our aim is to grow in the mid-teens to high teens segment for three consecutive years and that combined with the improvement in our procurement I think we can easily look over the next 2 to 3 years reaching close to the double digit EBITDA margin figures, but it's going to take us a couple of years to get there because a, we need to scale rapidly and as well as grab market share. And that's going to come at a cost on employee's front, as well as margins and as well as market spend.

- **Mr. Dilip Sahu :**

- Good, good. So, one can say that in next 4 to 5 years, we'll reach that where we are....

- **Mr. Akhilesh Chitlangia:**

- Yes. And if everything goes well, maybe it's likely sooner, but yes, that's the time frame.

- **Mr. Dilip Sahu :**

- Okay, great. And one last one is in terms of the ply versus non ply debate, right, there's been enough, and you have very categorically talked about your preference to stick to the ply, but within ply is there a plan to have value added? You had doors and stuff like that. So, how is that thing, I mean, are you really pursuing that aggressively, furnitures and a lot of you know, mattresses company are buying furniture companies, etc., etc... So, there's a lot of activity happening there, is that a kind of value add?

- **Mr. Akhilesh Chitlangia:**

- Okay. So, we are very clear and I'll reiterate it for everyone else that's listening in. Plywood has been the preferred choice of product for most homeowners when it comes to their furniture. And a lot of carpenter contractors and furniture manufacturers that had moved to other substitute products have realized the benefit of using plywood in terms of its strength and durability. And I'm very, very confident that over the next three, four years, the plywood segment is going to grow quite robustly, although we are starting from a much larger base, the other products, such as MDF, is a relatively new product. So, the base is lower. So, you know, the percentage growth will always seem higher. But I think plywood is in a sweet spot for the next 5 to 6 years. So that's on the industry category and I remain very bullish on this. Now, if you look at furniture manufacturing, etc., we are a component supplier to some of the biggest furniture manufacturers across India. And we're focusing on that but are we going to get directly into furniture manufacturing in the near future? No, that's not part of our plan, if that's what you asked 28.04.

- **Mr. Dilip Sahu:**

- Yeah. Not necessarily furniture, but like housing products beyond doors, you know, cabinets or something which are not very complicated. Like, you know, you are not looking at a fashion style, which is difficult, but something which is like....

- **Mr. Akhilesh Chitlangia:**

- That's not in the horizon for the next 18 to 24 months.

- **Mr. Dilip Sahu:**

- Great.

- **Mr. Akhilesh Chitlangia:**

- Once the balance sheet is strengthened, then the company is self-generating enough cash flow then we'll probably look at some kind of product diversification. But that's not on the horizon right now.

- **Mr. Dilip Sahu:**

- Yeah, yeah, yeah. Because one of your vehicles of sales, which is the consultants and the and architects.

- **Mr. Akhilesh Chitlangia:**
- Yes.
- **Mr. Dilip Sahu:**
- Yeah. That is a vehicle which you leverage so highly. So, that's where I was coming from, that is it not like a natural progression to give them something more than just plywood which goes behind the stuff? That's what I was just trying to figure out.
- **Mr. Akhilesh Chitlangia:**
- Right. It's in the near future.....Not anytime in the near future.
- **Mr. Dilip Sahu:**
- Yeah. Okay. Thanks, Akhilesh.
- **Mr. Akhilesh Chitlangia:**
- Thank you.
- **Mr. Dilip Sahu:**
- Really appreciate all the answers.
- **Mr. Akhilesh Chitlangia:**
- Thank you, Mr. Sahu.
- **Mr. Navin Agarwal:**
- Thank you, Dilip. Akhilesh, let's take a question on the Q&A board. It's from Tarun Rathi.
- **Mr. Tarun Rathi – Participant:**
- Any plans to come up with eco -friendly ply, like one coming up from Kitply, no harmful chemicals at all. Do you find that to be a game changer in premium ply?
- **Mr. Akhilesh Chitlangia –:**
- All right. Okay, so plywood is an eco-friendly product, it just is. Wood is one of the most sustainable products that exist. It just requires sun, soil, water, and in 8 to 10 years you can regrow trees. Plywood in general is one of the most eco-friendly products that exists anywhere in the world, that is one. Second with the growing health awareness the formaldehyde emissions in plywood over the last 20, 25 years has been coming down substantially. And I think most large companies today are producing plywood which conform to nearly zero levels of harmful emissions. We got into that space in 2010 or 2011 when we came out with e1 standard of plywood and now the industry in general for the larger players has been moving from e1 to e0, and I think that's true for nearly all our large scale organized manufacturing players. So, I think that's become a industry standard norm that we all need to adhere by. So that's not truly going to be a big differentiator on the premium

segment because that's becoming the base for the industry, I hope that answers the question.

- **Mr. Navin Agarwal :**

- Tarun, I hope your question is answered, in case not, request you to please raise your hand and we will take it up. Pradeep Rawat has a follow up question. Pradeep, please go ahead.

- **Mr. Pradeep Rawat:**

- Yeah, yeah. Thank you for the opportunity again. So, I have one question regarding the industry capacity. So, sir, do you see any kind of situation where there is an oversupply in the industry and subsequently any increasing competitiveness in the industry?

- **Mr. Akhilesh Chitlangia:**

- Mr. Rawat, to answer that question, I think 40% of the industry is lying idle today, and one of the reasons why we went towards the contract manufacturing site rather than doing the capacity enhancement ourselves was to take advantage of this you know, we consume the industry's capacity and...so, that's where the industry is today. Is there a lot of competition because of that? Yes, there is. But our industry is also dependent a lot on raw material costs and that puts a challenge in terms of margins. But, you know, that's the benefit of having a brand and a very well recognized brand, a lot of those challenges, by being a very established player in this industry kind of gets mitigated because of that. So, yes, a large part of the unutilized capacity is with the unorganized sector. So, that's not really impacting us at the market brand level.

- **Mr. Pradeep Rawat:**

- Yeah.

- **Mr. Akhilesh Chitlangia :**

- Yeah.

- **Mr. Pradeep Rawat:**

- Yeah. You said about raw material pricing. So, what kind of like environment you are seeing with respect to raw material pricing and what kind of market would you see in the coming future?

- **Mr. Akhilesh Chitlangia:**

- So, raw material costs have been going up, timber prices in India have been going up and as a result of that the imported materials have become again viable in this country and that's putting us in a good place, having a plant in the western part of the country near the ports. In terms of the future of raw material, I think timber is just going to be a scarce commodity for at least another couple of years. And I think by 2025 - 26, we'll see some leveling off...towards the end of '25, '26, we'll see some leveling off on the raw material side. But it's a dynamically evolving situation, and it's not only dependent on our industry, it also depends on how demand for wood remains from other industries but in the next 1, 1.5 years, you're going to see some inflationary challenges and that's for sure.

- **Mr. Pradeep Rawat:**

- Yes, sir. With respect to contract manufacturing that we do. So, are we seeing any kind of challenge because

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some of our peer was doing similar kind of contract manufacturing, and they were facing some issue with manufacturers. So, are we facing some kind of issue like that?

- **Mr. Akhilesh Chitlangia – MD & CEO, Duroply Industries Ltd:**

- No, no we're not. No, we're not.

- **Mr. Pradeep Rawat:**

- Okay. And with respect to our capacity, what is our capacity and utilization?

- **Mr. Akhilesh Chitlangia:**

- Our annual capacity in terms of revenue from Rajkot is approximately 265 to 270 crores. So, we are at about 195, so we are at about 70% utilization at this point.

- **Mr. Pradeep Rawat:**

- Yeah, with respect to volume, can you specify?

- **Mr. Akhilesh Chitlangia:**

- It would be similar, 70% utilization.

- **Mr. Pradeep Rawat:**

- No volume in terms of number, like what is?

- **Mr. Akhilesh Chitlangia:**

- I don't have that on me. I mean, I would not like to disclose that on me right now, but I think if I give you the revenue numbers, they should be comparable.

- **Mr. Pradeep Rawat:**

- Okay. And with respect to our contract manufacturers, do we have like something like utilization rate or is the....?

- **Mr. Akhilesh Chitlangia:**

- That's again very specific and I will not be able to answer that.

- **Mr. Pradeep Rawat:**

- Okay. Okay. Thank you. Thank you.

- **Mr. Navin Agarwal :**

- Thank you, Pradeep.

- **Mr. Akhilesh Chitlangia:**
- Thank you.
- **Mr. Navin Agarwal:**
- Friends, anyone with a question, request you to please raise your hand and we will take it up. My email ID and okay, there's a question. Pradeep, do you have a follow up question?
- **Mr. Pradeep Rawat:**
- Yeah. So, I was like you said we are at 70% utilization and the contract manufacturing part, we don't have it right now. So, if ever we come to like 100% utilization, so, what are we planning next to that to grow?
- **Mr. Akhilesh Chitlangia:**
- So, it's going to take us time to get to that level of utilization and then there is always debottlenecking that can happen within the existing plant. So, you know, then that bar always keeps shifting and that's a question that we'll have to answer. I mean, we do have plans, but it's too early to speak about it and something that we'll address probably 12 months from now, not at this point.
- **Mr. Pradeep Rawat:**
- Okay. And another question I was having with regard to our capacity only. So, you said we will be generating something around 260 to 270 crores at peak utilization.
- **Mr. Akhilesh Chitlangia:**
- Yes.
- **Mr. Pradeep Rawat:**
- So, if we assume 10% EBITDA margin, so, we would be generating 26 to 27% of EBITDA on this capacity. 26 to 27 crores?
- **Mr. Akhilesh Chitlangia:**
- Sure. Your question being?
- **Mr. Pradeep Rawat:**
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- Okay. Okay. That's all. That's all.
- **Mr. Akhilesh Chitlangia:**
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- Okay.

- **Mr. Navin Agarwal :**
- Thank you, Pradeep. Friends, anyone with a question, request you to please raise your hand and we'll take it up. Since there are no further questions request, I hand over the webinar to Akhilesh for his closing remarks. Akhilesh, please.
- **Mr. Akhilesh Chitlangia:**
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- So, thank you, ladies, and gentlemen, for joining us for the 4th quarter, FY 2024 and for the financial year 2024, earnings webinar. We believe in India story and that there will be significant demand for home interiors in the near future. The strength of our brand gives us confidence that we will grow and play a large part in the growth story. For us this journey of growth has truly just begun a few years ago and there's a long way to go. And we look forward to welcoming all of you at the next earnings call. Thank you.
- **Mr. Navin Agarwal:**
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- On behalf of all of us at SKP, thank you very much, Sudeep ji, Akhilesh, and Pawan for taking time out to interact with the investors.
- **Mr. Pawan Kumar Verma :**
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- Thank you.
- **Mr. Navin Agarwal :**
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- We look forward to hosting you again for the Q1 results. Thank you very much and have a lovely evening.
- **Mr. Akhilesh Chitlangia :**
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- Thank you.
- **Mr. Pawan Kumar Verma:**
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- Thank you.
- **Mr. Sudeep Chitlangia:**
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- Thank you, Navin.

END OF TRANSCRIPT