Duroply Industries Limited
113 Park Street, North Block 4th Floor
Kolkata-700016, Ph: (033) 22652274

Ref: 5404/23-24/0072

November 15, 2023

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 Unaudited Financial Results for the quarter and half year ended September 30, 2023

Dear Sir/Madam,

With reference to our letter no. 5404/23-24/0063 dated 2nd November, 2023 regarding intimation of the Q2 FY 24 Earnings Webinar, post declaration of the Unaudited Financial Results for the quarter and half year ended 30th September 2023, 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
Digitally signed by Komal Dhruv
Date: 2023.11.15 18:28:06 +05'30'

KOMAL DHRUV
Company Secretary

Encl: a/a

Duroply Industries Limited

Q2 FY24 Earnings Webinar

Friday, November 10, 2023

Mr. Sudeep Chitlangia, MD

Mr. Akhilesh Chitlangia, ED and COO

Mr. Pawan Kumar Verma, CFO

Navin B. Agrawal – Head, Institutional Equities

+91 98200 27446 | navin.agrawal@skpsecurities.com

- **Mr. Navin Agrawal:**
- Good morning, ladies and gentlemen. It's my pleasure to welcome you on behalf of Duroply Industries Limited and SKP Securities to Duroply Industries Limited's Q2FY24 Earnings webinar. We have with us Mr. Sudeep Chitlangia - Managing Director, Mr. Akhilesh Chitlangia - ED & COO 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 risk that the company faces.

- We'll 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, and good morning to everyone. Wishing everyone a very Happy Diwali and Happy Dhanteras today. Thank you for attending our Earnings webinar for Q2FY24. We are happy to inform that for Q2FY24 Duroply reported a revenue of ₹83.29 crores, which is an increase of 10.8% from the same period last year, from the same quarter last year and 9.8% compared to Q1FY24. We also reported a Profit After Tax of ₹65 lakhs. Duroply, founded in 1957, over the last 67 years we have built a strong brand in the industry. Duro is recognized across India for its high standard of quality that has been maintained over the years. We are present across the countries and are now expanding with a renewed focus.

- Last year, as you may be aware, we raised ₹28 crores in equity capital by way of preferential allotment of equity shares and warrants. In the month of October'2023, 2,12,754 warrants issued to promoters were converted into shares. The remaining warrant spending from the promoter group will be converted in the near future.

- On the business front, the demand for our product is very strong as reflected in our growth. There are challenges in the industry but we are on top of those issues and taking all mitigating steps to take care of that. As mentioned, we had an increase in our revenue on year-on-year basis closing Q2 at ₹83.29 crores, a 10.8% growth over last year, and for the half year ended our revenue stood at ₹159.15 crores, up 8.7% from the same period last year. For the quarter, revenue from inhouse manufacturing from our plant in Rajkot stood at ₹47.86 crores, which was down 9% on a year-on-year basis but up 1.1% on a quarter-on-quarter basis. Revenue from contract manufacturing stood at ₹35.3 crores, which is a growth of 57% on a year-on-year basis, and up 23.8% quarter-on-quarter. For the half year ended, revenue from inhouse manufacturing stood at ₹95.2 crores, down 3.8% year-on-year, and revenue from contract manufacturing was up 35% ending at ₹63.8 crores. Our cost of goods sold compared to Q1 this year has been maintained through a mix of better sourcing, efficient supply chain distribution and price rationalization. EBITDA margin for Q2 stood at 4.4% as against 6% in Q2FY23 and down from 5.8% in Q1FY24. For the half year ended, the EBITA for this financial year stood at 5.1% as against 5.9% in the same period last year.

- On the sales side, our strategic decision to enter the mid-price market through our brand Tower continues to pay dividends. Tower sales grew by 70% for H1FY24 over last financial year same time. Sale of Duro brand improved with the growth of 3% for the half year. If we look at the quarter numbers, for the quarter ended September'24, Tower segment saw a rapid growth of 76% year-on-year and a 14.3% quarter-on-quarter growth. Duro product sales grew by 8% on a year-on-year basis and 8.4% on a quarter on quarter basis.

- Our marketing spend remained moderated at 3.4% of sales. To boost the sale of our premium products, after significant research we recently showcased Duro Advantage - 09 layers of protection on select premium products at MATECIA exhibition held in Pragati Maidan in September. Overall, the response was extremely positive. This new initiative is being rolled out to the market in Q3 and we expect a positive response for our premium products for Duro thereafter. So, results for this will start coming in from Q4 onwards. In addition, the company has undertaken another major marketing initiative. The launch of Duro Beyond Blueprints, a podcast series covering design philosophy and journey of leading designers and architects from across India. The podcast is available on company's YouTube page Duro TV as well as on Spotify.

- I would now request Mr. Pawan Verma, our CFO, to take you through some of our numbers. Pawan, you are on mute.

- **Mr. Pawan Kumar Verma:**
- Thank you, Sir. First of all, good morning to everyone and wishing all you a very Happy Diwali and Dhanteras. Let me take you through some of the key financials from the last quarter.

- For the quarter, our COGS stood at 66.1%, which is same as our COGS that was there in Q1FY24 and 64% was there in Q2FY23. This is largely on account of increased business from contract manufacturing which contributed approx. 23%-24% margin as compared to 40%-41% on inhouse manufactured goods.

- In terms of margin across the two sources, in manufacturing our margin is marginally improved to 41.5% in Q2FY24 from 40% in Q1FY24. For the half year period, inhouse margin stood at around 40.75%. Trading margin dipped marginally to 23.2% in Q2FY24 as compared to 23.8% in Q1FY24. For the half year period, contract manufacturing margin stood at 23.5%. We also continue to see significant inflationary pressures on our raw material cost. Through improved operating parameters despite increasing cost we have maintained our COGS margin through better cost control and initiative on marketing that allows for better sales of higher profitable SKUs.

- Our Employee Cost stood at around 9.9% of sales as compared to 9.8% in H1FY24 and 9.5% in H1FY23.

- Our Debtors Period for the quarter stood at 38 days of the sales, our inventory days had decreased to 133 days of consumption from 140 days of consumption. Our Creditors- days decreased to 123 days of consumption from 125 days of consumption. As a result, our Cash Conversion Cycle has decreased from 53 days in Q1FY24 to 47 days in Q2FY24.

- Our Interest cost as a percentage of sales stood at around 2.3% of sales for the half year ended September'23. Our ROCE has stood at around 9% as compared to 12% in FY23.

- Thank you.

- **Mr. Akhilesh Chitlangia:**
- Thank you, Pawan. So, our growth shows that our business model is resilient. We are confident that our growth journey will continue in the near future and second half of the year should be better than what we saw the first half to be. The demand for our brand remains extremely strong and the new

marketing initiative that we alluded to earlier, we expect stronger growth and improved margins going forward.

- We are now happy to take any questions.

- **Mr. Navin Agrawal:**
- Thank you, Akhilesh. Thank you, Pawan. Friends, we now open the floor for the Q&A session. Anyone wishing to ask a question, you have to raise your hand and we'll take it up.

- We have a question from Dilip Sahu. Dilip, please go ahead. Dilip, please unmute yourself and go ahead.

- **Mr. Dilip Sahu:**
- Yeah. Yeah. Yeah. Yeah. Can you hear me now?

- **Mr. Navin Agrawal:**
- Yes, please go ahead.

- **Mr. Dilip Sahu:**

  Yeah. So, basically a few questions regarding growth and profitability. I think we started the year with, you know, last year we had some 20%-25% growth and I thought the stated objective of the company was to grow at twice the market growth, industry growth. So, however, it is kind of dipping. This quarter is around 10%, which is what most of the large players have done, 10% to 12%. So, can you ideate on what is going to be the growth like for next 2-3 years in terms as a strategy? Is it we will grow as per the industry or it's going to be a faster than industry growth?

- That's first question. And if you can also break up the volume versus price, if you have taken any price increment? That's the first question.

- Shall I ask the other question or you can answer and I can let it come back?

- **Mr. Akhilesh Chitlangia:**
- I think if you can ask all the questions and just be…

- **Mr. Dilip Sahu:**
- Yeah-yeah. Second is regarding profitability. Is it 4.5%-5% profitability and we are running a very tight ship, which essentially means that all our Working Capital, etc. are optimized, and there is very little scope to reduce that. Does it mean that for our growth of say 20%, which is the expectation of the investors, how the funding is going to come? Are you going to increase the profitability at the expense of growth or is there going to be some debt? At 4%-4.5% you can't obviously fund 20% growth including Working Capital and maintenance CapEx and taxes so that the math doesn't fall there.

- And third, in terms of the Tower brand, is Tower brand mostly outsourced in terms of manufacturing? And because it's almost like 6-8 months since you have started reporting in the last Annual Report, how has been the reception in the market? Are you primarily positioning against the unorganized, nonbranded? What is the price difference between unorganized plywood of similar quality with Tower? If you can just elaborate on that strategy of having two brands, pricing, positioning, what market segment you are looking for?

- And the last one is, in terms of distribution and in terms of particularly retailer touch points, has there been a quantitative significant shift compared to last year this quarter?

- These are my questions.

- **Mr. Akhilesh Chitlangia:**
- Alright. Thank you, Mr. Sahu. Yes, So, we had indicated mid-teens to high-teens growth. We are slightly below that at this point of time at the end of H1 this year. I'm expecting Q3 and Q4 to pick up.

- On the volume side, some of the channel and distribution expansion activity that had to happen, it's running slightly delayed but we are still very confident that we'll get up to a mid-teens growth level by the end of the financial year, which slightly puts us ahead of where the industry is growing.

- Coming to the EBITDA margin that you lead to, you are right, 5% EBITDA margin, 5-6% EBITDA margin doesn't give enough margin for home capital growth as well as internal capex maintenance to happen at the same time. We are looking at what are the possible ways to ensure that the growth is funded and is sustainable as well but I think time will tell what the right path for us will be. Probably in the next couple of calls, we will be able to give a more definitive answer the way the company is planning to move forward. Coming to the Tower brand, 97-98% of the Tower brand sales are from the contract manufacturers. So it's very insignificant quantity manufactured in-house.

- In terms of price difference between the organized and unorganized sector, let me just explain a little bit about our industry. Let's just categorize the industry into 3 parts – Products that are sold above Rs.100 per sq.ft., 19mm plywood sold above Rs.100 per sq.ft. The ones that are sold between 70-95 or 99mm per sq. ft. to the end consumer and the ones that are sold below that which are below Rs.70 a sq. ft. The ones which are sold below Rs.70 a sq. ft. is where the unorganized sector largely operates at. So the gap between Tower and the unorganized sector would be about 15-17% on price point. The reason we are seeing such strong growth in the Tower segment is largely because the consumers' preference towards branded segment is changing. As income levels are going up, more and more consumers are preferring, ok, let me pay a little extra but let me use brands material because it gives them security and peace of mind. So that's where this growth is coming from.

- In terms of the future for this segment, demographically this is the much larger catchment than what the premium Duro Brand serves on the consumer side, the growth for Tower for us will continue to be higher than what we are getting on the Duro side. So I hope that answers your question.

- In terms of retail touch points, yes, retail network is growing but it's not at the speed at which we would have liked. But I think with new marketing initiatives that we have undertaken which has been rolled out in quarter 3, I think quarter 4 onwards and into the next financial year, we will see this getting charged up again and ya, growth coming from there. I hope that answers your questions.

- **Mr. Dilip:**
- Sir, quantitative, it would have been better but let's say for South and West which has been your target areas, can you tell any marketing initiatives in terms of expansion and in terms of distribution etc..that will give a qualitative because in the last quarter also we had a similar kind of response.

- **Mr. Akhilesh Chitlangia:**
- Right, so South India for us this year is at a growth of 17% over the last financial year and West India is up 25%. East India is actually doing a little better than we anticipated, up at nearly 30%. Bangalore is one market where we are doing quite well now. We actually appointed a distributor end of last financial year through whom we have added about 35-40 retailers under a distributor. That has fuelled our growth as well as we have just appointed our 1st channel partner in Kerala last financial year….last quarter. So we are adding more channels in the Southern part of the country and I think it just takes a lot of time once you add new channel partners to nurture them and get the type of results that you are looking for. South of India is also a very brand conscious market and is also a market which is competitive at this point of time with a lot of new brands expanding into the South of the country. So that's one bit of a challenge. Western India is growing very rapidly. In fact for Tower brand, it's one of our fastest growing markets. That's what fuelling the growth in the western part and we are adding a lot of channel partners. I think from next quarter, we will start giving you, we will make it a point to give you a bit more idea on the number of channel partners we have added geographically.

- **Mr. Dilip:**
- Ya, ya, thank you so much for answering all my questions. I will come back if I have more.

- **Mr. Akhilesh Chitlangia:**
- Ya, thank you.

- **Mr. Navin Agrawal:**
- Thank you Dilip. Friends, anyone with a question, please raise your hand and we will take it up. Dilip, in case you have some follow-up question, you can please go ahead while others line-up in queue with their questions. Mr. Sahoo, please unmute yourself and go ahead.

- **Mr. Akhilesh Chitlangia:**
- I think he just put his hand down.

- **Mr. Dilip Sahoo:**
- Can you hear me now?

- **Mr. Navin Agrawal:**
- Yes.

- **Mr. Dilip Sahoo:**
- Just a suggestion – as I speak, I have got 2 more con calls parallely going on where I have to go. It's a peak time and every small and micro company comes in the last 1 week of……there is such a congestion. Even though I have many questions, I would like to stay here and ask them but I have got a parallel con call going on. Please try to keep it at a time where people can attend. You know?

- If you can be a little early but even if it's the last week of the time, you can make it slightly in the evening because 11-4 is the most peak time when everybody is having con calls.

- **Mr. Akhilesh Chitlangia:**
- Sir, your point is taken. We will ensure that the call is held at a time which is convenient for all the investors. We didn't see it from your point of view. We will keep that in mind next time. Thank you.

- **Mr. Dilip Sahoo:**
- But overall, as an investor I am not too worried on what's happening quarter to quarter and in a market like home products, this keeps on happening. But you are a new company and I am a new investor in your company. As an investor, the broad thing that I want to know is, over a 3yr. period of time, are you going to successfully take market share, grow the market share. That's the biggest question in the mind and data is not enough there to make that assessment and 2nd is, are you going to grow profitably or are you going to kind of damage the balance sheet in the process. That's the 2nd biggest question. I have basically these 2 questions which I am trying to assess by attending all your other competitors' calls and asking you a question. But somewhere that clarity, as a management I have complete confidence, I have been seeing what you have been doing in terms of marketing and sales and being very conservative, your operating matrices are excellent but you know, the basic question is, the company which is doing 300cr., even if 7-8% of operating margin, how will you compete with a guy who is 5 times your size, making you know 10-15% margin and both your large competitors whether its Green or Century, they are excellent in operating matrices also. There is no weakness or a clench which you can attack. So that's a basic question which is bothering me for the last 3-6 months since I have been invested in your company.

- **Mr. Akhilesh Chitlangia:**

  So Dilipji, just to give you heads-up as to how we are competing in the market. So our brand is the oldest in the industry so our brand recall is very strong. The channel trade partners with carpenter contractors, designers and our retailers are very loyal who have been with us for 'n' number of years even through our toughest phase. That's the strength that really drives us forward and we are just working on our strengths which is providing high quality products, working with our trade partners to ensure that their customers get the right solutions for their needs. It is a challenge with 2 such large players in the industry with significantly stronger balance sheet and operating margin as you alluded to but that's the challenge we quite enjoy working with as well. I think there is a lot of opportunity there in the market. Some of the marketing initiatives that we have started undertaking over the last 1-1.5yrs. which is what fuelled our 50% growth last year and which is what is taking us forward this year as well and we will keep adding new innovations on the marketing side. I think being slightly smaller, it makes us a little more flexible and agile to be tactful in the way we grow our market. For the next couple of years, yes you are right – 5%, 6% or 7% margins won't be enough to fund strong growth. Its simple mathematics and we will be looking at the right source of funding in due course to help us with those, with that growth journey. But I really can't allude too much to that at this point in time. But be rest assured, we will be growing our market presence across India. There are a lot of open fields where we can penetrate into. A lot of pockets in the market which are not being served by any of the large players. Those pockets exist and that's what we are trying to get into. Of course, those are our secret marketing strategies which I can't tell you too much about, but ya.

- **Mr. Dilip Sahoo:**
- Ya, very re-assuring. Thank you and all the best.

- **Mr. Akhilesh Chitlangia:**
- Thank you.

- **Mr. Navin Agrawal:**
- Thank you, Mr. Sahoo. Is there anyone with questions? Please raise your hand and we will take it up. I guess similar to Mr. Sahoo, there are some investors who are attending multiple calls. So what I will do is, I will share my email id on the chat and in case there are any follow-up questions, someone has any unanswered question, please write to me. I will take it up with the management and get back to you. Akhilesh, the floor is to you in case you have anything to add.

- **Mr. Akhilesh Chitlangia:**
- I think we have alluded to everything Navinji. I would like to thank everyone who have joined the call today for attending our earnings call. Again, wishing everyone a very very happy and prosperous Diwali. Our belief in India story is that the home buyer segment which is where our brand pre-dominantly operates, we are going to see a lot of significant demand in the coming months and years. The strength of our brand gives us the confidence that we will grow and play a large part in the country's growth story. As we mentioned in our previous calls, our journey has just begun and we have a long long way to go. So, look forward to seeing everyone in the next earnings call. And ya, Navinji, that's about it. Thank you everyone.

- **Mr. Navin Agrawal:**
- Thank you very much. On behalf of all of us at SKP Securities, I take this opportunity to wish everyone a very happy Dhanteras, Diwali and Prosperous New Year. Thank you Sudeepji, thank you Akhilesh and thank you Pawan for taking time out to interact with the investors and we look forward to hosting you again in the next quarterly results. Thank you and have a wonderful day.

- **Mr. Akhilesh Chitlangia:**
- Thank you