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

Ref. No. DIL/SE/24-25/91
Date: February 08, 2025

To,

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

BSE Symbol - DOMS
BSE Scrip Code - 544045

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

NSE Symbol - DOMS

Subject: Transcript of the Investor Conference Call on the Unaudited (Standalone and Consolidated) Financial Results for the quarter and nine months ended December 31, 2024

Dear Sir/ Madam,

Pursuant to Regulation 30 read with Para A of 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 Unaudited (Standalone and Consolidated) Financial Results for the quarter and nine months ended December 31, 2024, held on Tuesday, February 04, 2025, at 12:00 hours.

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/Q3_FY25.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: 2025.02.08 12:20:28 +05'30'

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

Encl: As Above

"DOMS Industries Limited

Q3 & 9M FY25 Earnings Conference Call"

February 04, 2025

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. This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the Company's website will prevail.

MANAGEMENT: **MR. RAHUL SHAH – CHIEF FINANCIAL OFFICER, DOMS INDUSTRIES LIMITED**

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

Moderator: Ladies and gentlemen, good day and welcome to DOMS Industries Limited Q3 and 9M FY '25 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the call, please signal an operator by pressing star then zero on your touch-tone phone. Please note that this conference is being recorded.

Before we begin, a brief disclaimer. The presentation which DOMS Industries Limited has uploaded on the stock exchange and their website, including the discussions during this call contains or may contain certain forward-looking statements concerning DOMS Industries Limited business prospects and profitability, which are subject to several risks and uncertainties and the actual results could materially differ from those in such forward-looking statements.

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

Aniruddha Joshi: Yes, thanks, Reyo. On behalf of ICICI Securities, we welcome you all to Q3 and 9M FY '25 results conference call of DOMS Industries Limited. We have with us today senior management represented by Mr Rahul Shah, Chief Financial Officer. Now I hand over the call to Mr Rahul Shah for his initial comments on the quarterly as well as nine months performance and then we will open the floor for question-and-answer session. Thanks, and over to you, Mr Rahul Bhai.

Rahul Shah: Thank you. Aniruddha Ji. Good afternoon, everyone. Firstly, wish you all a great 2025. It is our pleasure to welcome you all to the conference call for Q3 FY '25. Due to certain unforeseen circumstances, Santosh Bhai, our Managing Director is not able to join the call today. Though I have with me the team from Marathon Capital, our Investor Relations Advisors.

Despite the tepid market conditions and festive season in India as well as globally, we continued on our consistent growth trajectory during the third quarter FY '25. With successful expansion initiatives in the stationery and art materials segment across writing instruments, paper stationery, coupled with widening of fine art product portfolio along with introduction of differentiated range of markers and highlighters and kits and combination packs, together have propelled growth during the quarter.

Further, the performance of Uniclan Healthcare has yielded positive results contributing to our growth trajectory as well. As part of future growth initiative at Uniclan, as mentioned during our previous conference call, I'm happy to share that we have successfully installed the third diaper production line, increasing our baby diaper capacity. We have always believed that our people have been one of our strongest pillars for the growth. Their dedication, passion and tireless efforts to innovate, design and deliver high-quality products have enabled DOMS to be ahead of the curve. As a recognition of their ongoing contribution and understanding the importance of further strengthening our bond with our people to ensure sustainable success, we granted ESOPS to more than 900 members of the DOMS family. I'm really proud and content to make them a true partner in our success.

Another milestone achieved during the quarter has been the successful installation of a 1 MW solar plant at our current flagship facility in Umargam, Gujarat. By harnessing the power of renewable energy, we aim to reducing our carbon footprint and promoting eco-friendly practices. This process of harnessing the power of renewable energy is expected to continue as we evaluate and undertake projects for solar electrification at our other manufacturing locations. As a testimony to the hard work and performance of our company, I am pleased to share that our company has for the third time in a row awarded with the Top Exporters award for being the number-one exporter for the financial year '23-'24 by the Pen & Stationery Association of India, underscoring company's role as a front-runner in the Indian export market.

On the marketing front, we persist in our efforts to connect with our audience in innovative and engaging ways, seamlessly integrating online and offline initiatives. This combined with the overwhelming consumer response to our products underscores our dedication to innovative design and product engineering as well as rising popularity of our flagship brand DOMS. Going-forward, we remain cautiously optimistic on improvement in-demand conditions with tailwinds from the upcoming back-to-school season, growing emphasis on education and increased government spending in this sector contributing to the growth momentum in the near-term.

Our strategic priorities remain unchanged with focus on delivering consistent and profitable volume growth through expanding our production capacities, investing in our brands and strengthening our supply-chain, positioning ourselves for sustainable long-term growth. This coupled with a solid pipeline of innovative products to be launched across categories as well as targeted distribution network expansion, both in India as well as globally should lay down strong foundation for our projected growth trajectory.

Coming to the details of our financial performance for the quarter ended and nine-month period ending, 31, 2024. To begin with a quick overview on the consolidated results. Consolidated operating revenues for Q3 FY '25 stood at INR 501.1 crores, a growth of nearly 35% compared to the same quarter last financial year. Comparable consolidated operating revenue, excluding Uniclan Healthcare sales impact grew by 21.4% in Q3 FY '25. This increase in sales was predominantly on account of growth in segments like office supplies, paper stationery and kits and combination packs.

The consolidated EBITDA for Q3 FY '25 grew by 26.7% to INR 87.9 crores as compared to INR 69.3 crores in Q3 FY '24. The EBITDA margins marginally declined by about 110 basis-points to 17.5% from 18.7%, resultant of increase in sales and distribution expenses, primarily due to consolidation of Uniclan and on account of the accounting impact of ESOPs granted in Q3 FY '25. As a result of these factors, company's consolidated EBITDA margin stood at 17.5% as on expected lines, but higher than our targeted and guided range of 16% to 17% as provided during our previous conversations.

The consolidated PAT rose from INR 38.8 crores in Q3 FY '24 to INR 54.3 crores in Q3 FY '25, registering a growth of nearly 40%.

Talking of our results for the nine-month period, our consolidated revenues from operations grew by 23.9% to INR 1,403.9 crores in 9M FY '25 from INR 1,133.4 crores in 9M FY '24. EBITDA for 9M FY '25 grew by 32.2% to INR 260.2 crores from INR 196.8 crores in 9M FY '24. Further, our PAT also increased from INR 112.7 crores in 9M FY '24 to INR 162.3 crores in 9M FY '25, a growth of 43.9%.

The working capital on a consolidated basis increased marginally to about 53 days, primarily on account of the consolidation impact of Uniclan that results -- that resulted in higher trade receivables on a consolidated basis. Excluding the impact of Uniclan, the working capital days were around 45 days, in-line with our earlier trend.

On the capex front, we continue to focus on expanding our manufacturing capabilities to capitalize on the growth potential during the nine-month period, excluding the impact of acquisition, at a consolidated level, the company has invested over INR 100 crores towards capital expenditure, including capital advances. These funds were primarily invested in for the construction activities and purchase of plant and machinery and installation of the solar plant.

Further, Uniclan has also undertaken a capex of nearly INR 11.5 crores during the period of consolidation, primarily towards installation of additional line of diaper manufacturing.

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

Moderator: Thank you. We will now begin the question-and-answer session. The first question is from Kunal Vora from BNP Paribas.

Kunal Vora: Yes. Thanks for the opportunity and congrats for a good quarter. First is on exports. So it seems to be down for third consecutive quarter. So is it sales to FILA or branded sales in other markets, what's happening on exports?

Rahul Shah: Hi, Kunal thank you for your question. In terms of exports, sales were down approximately 5% in the quarter compared to the previous year. Primarily on account of the ongoing situation in Middle-East and the slowdown in Europe. Our FILA Group sales were in-line, the decline, it was primarily on account of, like I said, the own branded sales that we did in Middle-East geographies.

But while the ongoing geopolitical tensions across the Middle-East have impacted our export business, we believe export markets are expected to recover soon now. Further, we are also soon entering into distribution agreements with FILA and FILA Group companies to start exports of DOMS branded stationery in their local markets, which again should have a positive impact on our export business growth.

Kunal Vora: This is a temporary issue and you think things will recover from Europe?

Rahul Shah: Yes. The signs that we are getting from the Middle-East market, they are soon expected to you know, begin business again.

Kunal Vora: Okay. Understood. Okay. Thanks. Second is on, when did the additional 24 crores diaper capacity come in and like you are at about 50 crores. So how should we look at fourth quarter and FY '26?

Rahul Shah: So, Kunal Bhai basically, you know Uniclan is slightly a seasonal business. Their third quarter is always the strongest in terms of sales because of the climatic condition. It's like end of monsoons and beginning of winters, and due to the climatic condition, demand for diaper increases. This high-demand stays until mid of February to-end of February. Summer is a little dull time. Then again, once the rainy season starts, the market picks up again.

The new diaper machine got installed towards the last week of November and first week of December. Right now, we have a production capacity of about 65 crore diapers, but considering the changes that happen in the pack sizes as well as in the sizes of diaper we manufacture, we could utilize about 80% to 85% of the capacity.

With the partnership with Uniclan, we have now, started taking some amount of active role in terms of helping them to set-up their distribution network. They've already launched diapers under the co-branding with DOMS. It's now called as “DOMS Wowper”. Some of our channel partners have already been onboarded for sales of Uniclan. One of our two super-stockist in Nepal is now a super-stockist for Uniclan Diapers in Nepal.

So considering these factors, you know, we believe that we should be able to have better year-end results in FY '26, but in terms of number, wouldn't want to, you know, give how much percentage because we are still learning the business, still understanding the market sensitivities. Hopefully, we should have our business plan for the coming year ready by March and during our next interaction, we would have more numbers towards this.

Kunal Vora: But the 80% - 85% capacity utilization do you think will get maintained in FY '26 with the larger capacity or you think with new capacity, it could go down.

Rahul Shah: No, no, no, along with the larger capacity.

Kunal Vora: Okay, okay. Understood. Okay. And FY '26 growth and margin outlook, like say, I understand you Uniclan won't be able to share right now, but otherwise for the business excluding Uniclan, how is it looking? You mentioned like cautiously optimistic. So I just wanted to get some sense, are you seeing some concerns on-demand?

Rahul Shah: So we are not seeing any concerns on demand. It's just that the markets have been opening up. We believe the back-to-school season should bode well for the company. So we continue to maintain a full revenue growth target of full-year revenue growth target of about 23% to 25% on a consolidated basis, including Uniclan for FY 2025. In terms of margin, like we've always mentioned, our range is always between 16% to 17%. Today at a consolidated level, we are at about 17.5%. But this was, like I said, a very good quarter because of the seasonality at Uniclan. Therefore, the Uniclan margins in this quarter are always a little on the higher side because the fixed-cost absorption happens better. But overall, we believe Uniclan margins should be in the range of 7% to 8% initially and slowly we'll be able to drive them to about a double-digit number.

So considering these factors, we continue to from a margin perspective, guide for between a 16% to 17% margin range.

Kunal Vora: So for FY '26, I mean, '24-25 this year it looks reasonable maybe top-end. But FY '26. FY '26, okay, similar. 20% 25% growth and 16%-17% margin. But margin looks conservative…

Rahul Shah: I am talking a 23% to 25% revenue growth target for FY '25.

Kunal Vora: FY '26, what's the expectation?

Rahul Shah: Sir, let's see how the market goes. How this back-to-school season works? I think for the coming year, once we sit together, have our business plan, which we typically do in the month of March, we'll be able to come back to you all with the guidance for the coming financial year.

Kunal Vora: But you have more capacity coming in, right, next year?

Rahul Shah: So capacity addition is ongoing. Like we've shared earlier, capacity increase is expected in scholastic stationery, you know, but that's something which will take about six-odd months-to come completely on-board. We'll soon increase our pencil manufacturing capacity, but that will happen you know, on a monthly basis, we'll keep getting something incrementally. So towards the end of Q3 FY '26, we'll also have the new building coming in from the 44 acre plant where again there would be capacity increase happening to begin with under the office supply segment and sketch pens and other such products.

Kunal Vora: Okay. Okay. Thanks. I have more questions, but I'll come back-in the queue.

Moderator: Thank you. Next question is from Rakshit Desai from IIFL.

Percy Panthaki: This is Percy Panthaki. Sir, just wanted to understand in the first-nine months of the year, excluding Uniclan, what is the sort of assets which have actually got capitalized, not CWIP and not the capex in cash-flow terms, but what is the actual addition to the gross block in the nine-month period?

Rahul Shah: The actual addition, just give me a second. You want for the entire nine-month period?

Percy Panthaki: Yes, yes, nine-month period.

Rahul Shah: So at a gross fixed asset-level, the additions have been close to about INR 90 crores.

Percy Panthaki: This is excluding Uniclan, right?

Rahul Shah: Excluding Uniclan.

Percy Panthaki: Okay. So just wanted to understand, I mean, with such a small sort of addition to gross block, how we are able to grow? It's not as if we had a lot of spare capacity to start with?

Rahul Shah: There were some capacity additions which we had done during the last year also, the last financial year. A lot of it actually came towards, for example, our second pen plant, it came in-production in February of '24, right. So the impact during the last year was smaller, but in this year for the entire nine-month period, we are getting benefit of it.

Percy Panthaki: Understood. So if this is like a rolling thing that whatever capex you do in one year, you get the benefit of that in the next year, then given that we have done such low capex in FY'25, do we see a problem in terms of ramping-up our sales in FY'26?

Rahul Shah: No, Percy bhai, like I said, you know, Capex is like you said, it's an ongoing thing, rolling out, we'll keep getting benefit. Some capacity additions, which have already happened during the second and third quarter of this financial year, we get a full-year sales impact in the coming years. Plus new capacities are also being added. So as such, our plans with respect to capacity additions, timely capacity addition, which will drive our revenue growth in the coming year is already in-place.

It's just that, when it will come, there can be timing difference of a couple of months, but otherwise, I think everything is well-planned. If the markets you know, support, we don't see any reason for any challenges that would come from a capacity perspective to meet the demand.

Percy Panthaki: And how much of this INR 90 crore has happened in the new land parcel?

Rahul Shah: New land parcel, absolutely nothing. Construction is still going on. Majority of it is sitting in the buildings and all - the advances that we've given to the parties, so they are more of advances.

Percy Panthaki: Understood, understood. So what do we expect in terms of capex over -- I mean, the next three months as well as for FY '26? The reason I'm asking this is that at the time of the IPO, basically, our impression was that you would be doing roughly brownfield and greenfield put together roughly about INR 200 crores per year for the next three, four years?

Rahul Shah: Right. So we are planning to close this financial year with a total capex of around INR 160 crores to INR 175 crores. This will be primarily for setting up of the buildings at the 44 acre facility, other greenfield expansion projects and the regular modernization and the upgradation capex that we continue to do in our existing infrastructure. Like I said, you know, we believe the first building from the new 44 acre project should be ready, we should get the possession during the third quarter of FY '26 and believe to begin commercial production from that building within 90 days from getting the possession.

So looking at those requirements, I think in the coming year, we should be again -- our capex should be again close to INR 202 crore – INR 225 crores. And Percy Bhai, the way it is planned is every three months from the time we get the possession of the first building at 44 acres, you will get possession of the next building after three-odd months, the 90-odd days we will utilize for installation.

Percy Panthaki: Understood. Understood. And in terms of the capacities that will come up over the next, let's say, 12 to 18 months, which are the major products in which the capacities are expected to come up?

Rahul Shah: So we are looking at increasing our capacities across one scholastic stationery, paper stationery as well. In paper stationery during the third quarter of FY '25, we increased one-line of the automatic exercise manufacturing exercise book manufacturing machine. We are expecting to increase some capacities in paper stationery as well, office supplies also and also to some extent in hobby and craft.

Percy Panthaki: Okay. Okay. Understood. Understood. Also, just wanted to understand in terms of this JV you did for the bags, what is the status there in terms of ramp-up, in terms of ARRs or in terms of any other update that you would like to give?

Rahul Shah: So the acquisition that we did was in a company called SKIDO Industries. SKIDO's revenue from operations stood at about close to INR 3 crores in third quarter of FY '25, which is a sequential growth of about 56% with an EBITDA margin of close to about 13%. Currently, close to 55% of the company's sales happen to DOMS and balance is to third parties. DOMS basically utilises these bags for their kits and combination pack.

But right now, the first-line of products are already ready in the bags category, a very well-designed and highly value-added bags that we've come up with. They are in-production and we plan to soon launch it for our customers under the DOMS brand during this back-to-school season. So during this quarter, the DOMS branded bags would be launched in the market.

Percy Panthaki: Understood. And lastly on your direct outlet coverage, how much does it stand at currently and how much it has grown over the last 12 months.

Rahul Shah: So, during our second quarter call, we said when the markets were a little bit of sluggish, we focused on expanding our distribution network a little. So today, we have about 140,000 retail outlets, which we are catering to directly. This represents an increase of about 15,000 plus retail outlets. I think, end of last year, we were close to 125,000, which is now increased to 140,000. But again Percy Bhai, the strategy there is like it was earlier, first try to maximize the throughput from the existing partners and only then look at expanding our universe.

Moderator: The next question is from Sneha Talreja from Nuvama. Please go-ahead.

Sneha Talreja: Hi, good afternoon, sir, and congratulations on great numbers and thanks for the opportunity. Just two to three questions from my end. What was the Uniclan margin this particular quarter?

Rahul Shah: The Uniclan margin, Sneha, in this particular quarter was about 10%. But like we said, this is typically one of the strongest quarters for the diaper business. So what happens is the sales are higher and there is a better fixed-cost absorption that happens. So this quarter usually is better in terms of margin also. But going-forward, the way the business has been shaping up and what inputs that we get from the Uniclan team, it should be close to a 7.5% to 8% sort of EBITDA margin business.

Sneha Talreja: Understood. That means our consolidated margins from 17.5% can actually go down because of those reasons.

Rahul Shah: It should and that is why Sneha we always maintain that 16% to 17% as the range. And we've always said that, the impact of all these, the Uniclan acquisition plus the ESOPs and plus what happens is whenever we are in a capacity addition phase, you need to increase the manpower a little bit before the goods start into commercial production. So as a result of this increase there is a slight increase in the manpower cost, ESOP accounting and the Uniclan, we should be close to the 16% to 17% range in terms of EBITDA margin.

Sneha Talreja: Understood. Secondly, what I wanted to understand is where are we in terms of utilization rates at this point of time. Overall as a company, along with Uniclan separately. Uniclan, including the capacity addition that we've just taken place?

Rahul Shah: Senha, very difficult to talk about how much utilization because it's sometimes really difficult to gauge the same, you know, the output is in a different unit of measure, while the capacities are different and really the utilization differs in terms of what type of product you are manufacturing. So difficult to say or give information about how much utilization we are at today.

But we believe we have, like I mentioned earlier, there are timely capacity additions planned in such a way that at every periodic time, we have some additional capacity coming in, through the way of greenfield expansion or in terms of modernization of our existing plant and machinery.

Sneha Talreja: So what I was trying to get is we are comfortable growing at 20% 25% on an overall company-level or despite operating at optimum utilization that we keep seeing?

Rahul Shah: It's always our endeavour you know. While there is always optimal capacity utilization, but at the same time there are new capacity additions coming in. So it's like a continuous process.

Sneha Talreja: Understood. Lastly on SKIDO, is the product out, we were supposed to launch it in Q4 of FY '25. Is that launched? And if yes, how is the response we are receiving from the channel?

Rahul Shah: So, it is, you know, like I said, it's already in-production, the packing material and all is on its way. So very soon will be launched in the market. Hopeful, at the right time for the back-to-school season. So in this quarter only it will be launched, which is the right time to launch as the back-to-school season is just about to start.

Moderator: Thank you. Next question is from Jinesh Joshi from PL Capital.

Jinesh Joshi: Thanks for the opportunity. Sir, I have a question on our hygiene business. I think we have started exports in this quarter. So can you highlight which geographies are we targeting explicitly and what is the opportunity size here? Also in terms of margins, do they materially differ between exports and domestic markets? So Yes, just some update on that. And also given the fact that this will be a overseas of what should I say venture for us, would it require creating a new network from scratch, your thoughts on that?

Rahul Shah: So, Jinesh, firstly, I'll answer the second question you had in terms of network. The entire idea of partnering with Uniclan was that in the short-term, we believe that we'll be able to leverage our channel relationships with the super-stockist and distributors. That is not restricted only to the Indian market, but in for exports as well. Like I said earlier, they've already started doing exports to Nepal, where one of our channel partners has become a stockist for the Wowper products. Similarly, through our network, they have started some amount of exports to Middle-East. And the idea there is to first start with the neighbouring countries, where DOMS already has a strong network and then we'll take it forward. And at the same time, in domestic market also, we are seeing the channel synergies coming out where some of our stockists have already been onboarded as channel partners for Uniclan.

And now as the business ramps-up, again there today, when we invested in the company, they were present in about six states. Today they are at about seven to eight states. We want to first completely do justice to the business in these states and only then try to expand our sales network to other states. So once that happens, plus if we think we've reached optimal capacity in terms of diapers, then we plan for new capacity addition there as well.

So in terms of margin, Jinesh, like I said, this quarter is an exceptional -- always has been the exceptional quarter for Uniclan. Considering the higher sales this quarter, our EBITDA there was about 10%. But on a full year basis, we believe Uniclan's EBITDA to be in the range of 7% to 8%.

Jinesh Joshi: Got that. Just wanted to -- Yes, sorry, please go ahead.

Rahul Shah: And in terms of difference in margins for Uniclan in the domestic and the export market, nothing very material. The same philosophy that DOMS follows will be followed at Uniclan where across, it will be a very cost sheet sort of a driven approach. Depending upon what cost sheet gets developed and our targeted margin for Uniclan, that's how the product pricing will happen. So we will not see any significant difference in terms of margins in export and the domestic markets.

Jinesh Joshi: Got that. So just to summarize, at present, our presence is in Nepal and Middle East and for the time-being, the focus will remain on domestic market, correct?

Rahul Shah: Yes, absolutely. Domestic market and as well as neighboring countries, where I talk about Nepal, Bangladesh, Sri Lanka. Middle East is also now a neighboring country only for - yes, so that's going to be the focus for us.

Jinesh Joshi: Sure. And sir, secondly, on the pen side, can you share some updates with respect to the current capacity and the utilization number? Also, what is the current contribution from the INR 10 price point, some color on that? And secondly, I believe our incremental capacity on pencils was about to come on-board in 4Q. So we are like almost a month into the quarter. So has it already started, any update on that?

Rahul Shah: So yes, the plant is under installation. Most of the machines have come in. Pencil is a slightly longer manufacturing process where you need to first add capacities at the treatment and seasoning level. There the new plant has already come in production. Our plants for making utility pencils and finishing is expected to come soon. So like we said, pencils production from the new capacity should start rolling in from the current quarter and there would be continuous expansion in the next quarter as well.

Jinesh Joshi: Sure. On the pen side, if you can share some update on the utilization number and the contribution from the INR 10 price point?

Rahul Shah: So overall is the office supply segment, we continue to invest. Our third pen plant has already come in production. We've increased capacity for pens, markers and introduced our highlighters also. So like all our products, even in this segment, we continue to introduce new products, come up with differentiated offerings. In terms of differentiation, in terms of price point, really difficult for us to say, at this point of time, how much are coming from a particular price segment. But in terms of pricing for us, our important customer has always been young kids and it's been a school-driven consumption. So we've always believed in having a very rationalized approach towards pricing, which ensures that our customers get value-for-money and at the same time, our margins are maintained. So for pens also, we are following the same sort of strategy, which is more cost sheet driven.

Jinesh Joshi: Sure. Sir, one last question from my side. I think in our paper stationery business, the growth was upwards of 50% in this quarter and you highlighted earlier that one line got added. So is the growth led by capacity expansion or is there some element of seasonality over here? And also from here on, how should we look at the contribution of the paper stationery business?

Rahul Shah: So, Jinesh, definitely there was a positive impact due to addition of the new line for the exercise books manufacturing machine that we added. This came in production around October 2024. Paper stationery definitely is a slightly seasonal business with the third and fourth quarter being the strongest and Q2 being slightly muted once all schools have begun. So yes, that also plays a role.

And paper stationery for us is a growth segment that we've been continuously focusing on. And even there, our product offering is very differentiated. We've had benefited with some amount from partnerships also, like with ISRO. We've also got partnership with Warner Brothers for certain comic characters which we are using significantly for our paper stationery book covers. So all these factors plus focus from the team is helping in the growth of this segment.

Moderator: The next question is from Abhishek from AB Capital. Please go-ahead.

Abhishek: Yes. So what will be the ROE trajectory going forward?

Rahul Shah: So Abhishek, see the idea is simple to continue with the EBITDA margin in the range of about 16% to 17% with sort of a 3x revenue generation on the investment we do. So from a ROE perspective, we continue to have the same ROE of close to -- and more the money that we keep utilizing in capex, this should increase. So our ROE, ROCE at a consolidated level should be around 23% to 25%.

Abhishek: Okay. So the -- given that the margins are lower in the diaper business, that will not affect us in the near future.

Rahul Shah: So we -- when we are talking about the consolidated margin of 16% to 17%, Abhishek, it is taking into consideration the Uniclan diaper business at a lower margin of 7% to 8%.

Abhishek: Okay. And any plans to raise any capital in the near future.

Rahul Shah: As of now no. We would really want to first utilize the funds that we raised from the IPO, get this new plant up and running as soon as possible. So most of our energies are right now focused on the completion and expansion in the 45-acre project.

Moderator: Next question is from Priyank Chheda from Vallum Capital. Please go ahead.

Priyank Chheda: Hi, I hope my voice is clear. My question is on -- we have clearly seen a revenue trajectory going up for office supply. So I believe we have increased our capacity of pens from, say, around 2 million pens per day to 3 million pens a day. Is that number right and is that the right way to think of it? As well as if you can just reconfirm the pencil capacity, we are adding around 2.5 million pencils per day. Is that the number right?

Rahul Shah: Hi, Priyank. Yes. So office supplies as a segment has recorded a growth of about 133%. This is primarily due to increased capacities for pens, markers and introduction of highlighters. One of the new markers that we launched has received a good response from the market. So that has contributed to the success of the -- to the growth of the office supply segment. In terms of the increase in capacities for pencils, like we said earlier, right now, our capacity is close to 5.5 million pencils a day and we soon expect to ramp it up by 2.5 million wooden pencils per day.

Priyank Chheda: Perfect. So this INR 90 crores capex or the asset addition that you have done is to do with the office supply, which includes blue pens and markers, while the pencil capacity is yet to come from this quarter. Is that right? And then you were supposed to add certain capacities in crayons and sketch pens also. Would you be able to help me with that numbers from where to where we have gone?

Rahul Shah: So honestly, we've not added capacity in our scholastic art material range significantly. In terms of pencils, like I said, our -- like pencil have three key stages of production. One is the treatment stage, other is the raw pencil making stage and the last is the finishing stage. Our plant for the treatment is already started up and running, so that's already been capitalized, so to some amount of increase in capitalized asset that you see is because of that slant. Plus for other products, we are upgrading of certain existing capacities in the art material segment, some amount of additional capacities are also coming up for the fine art segment. We'll see all this coming in production very soon.

Priyank Chheda: Perfect. My second question is on this Uniclan. We would have sold around, say, 10 crores diapers in the current quarter. And if you can help me with a distribution outlook, wherein how much of that would be overlapped with DOMS distribution network or it would be completely new distribution channel which Uniclan has and you will look to expand over there?

Rahul Shah: Unfortunately, I will not have that data on-hand today. Really, I don't have that data to answer this question at this moment.

Priyank Chheda: No problem. I'll connect you offline. Just last question on the new category or a new segment of toys, which we were looking out for, now for a toddler segment, say, less than a three-year segment, we were planning to enter into this segment. Any strategic thoughts on that?

Rahul Shah: So we've already entered the TOTS segment. There is an entire range which has come up called as DOMS TOTS. In that we've already launched finger paint and Beeswax crayons. So that's already been launched. Again, it just a launch that has happened, so these sort of products which are like new to the market, coming up for the first time, it takes a little bit of a longer time for the acceptance to build-up and the product to reach mass level of consumers. And so it's early days there, but the products have already been launched.

Priyank Chheda: Perfect. And on the Phase 2 of this expansion of this new greenfield project, which was supposed to happen in two phases, now what is the total capex that we are planning to incur, which includes Phase 1, Phase 2, all put together when whole of the project is ready up and running say in next 2 years or 2.5 years?

Rahul Shah: So, this entire project, including the land, which we've already purchased and expenses that we've already done, this entire project would entail an investment of close to INR 900 crores to INR 1,000 crores. We've already purchased the land. A lot of advances have been given to our construction partners who are constructing the building there plus work for in terms of levelling, in terms of making roads, in terms of electrification, making the utilities that has also simultaneously started. All put together, like I said, this project would be close to INR 900 crores to INR 1,000 crores of investment and eventually will house somewhere between 1.8 million to 2 million square feet of built-up area.

Priyank Chheda: And would this be also equal to -- just a clarification on this. Would this be also 1.8x to 2x asset turnover at the full utilization?

Rahul Shah: So eventually after about two to three years, we always target to have about 3x sort of gross revenue from the investment that we do in the fixed asset. But considering it's greenfield in nature, it takes a little time to reach there to about 3x sort of a number. But at full potential once all is ready, the target is to always try to achieve close to 3x in terms asset turn.

Moderator: The next question is from Aniruddha Joshi from ICICI Securities. Please go ahead.

Aniruddha Joshi: Yes. So Rahul bhai, in terms of the new co-branding products that we have done, with ISRO and also Warner Brothers. So if you can share a bit more on these aspects and what are the terms of these rates, and how is the response to the products, etc. So if you can share a bit more info on that.

Rahul Shah: So Aniruddha bhai, these arrangements are like pure royalty sort of arrangements that we get into with the owners of these brands. With ISRO, it is not a direct arrangement, but with somebody who already has the arrangement, we are just manufacturing ISRO branded products and giving to them and they've been selling it in the market.

See, for all the new launches that the company is doing, we are seeing a good response from our consumers not only for the Warner Brothers or ISRO cover design, but the new range of paper stationery products that we've come up, the car series, abstract series, nature series, all of them are seeing an overwhelming response from the consumers.

They are liking the entire grid that we've made for the new paper stationery page. I think it's more to do with the increasing popularity of the DOMS brand rather than co-branded. Definitely having co-branded products creates some amount of wow factor, but a lot of it is also to do with the rising popularity of the DOMS brand and acceptance of the DOMS branded paper stationery products.

Aniruddha Joshi: Okay. Surely. Understood. That's helpful. Second question, a bit broader on exports. So as far as like there are some restrictions coming on some countries from USA. So do you see that opening up a window of exports for us means do you see any additional inquiries for exporting the product to their countries, etc? Because I guess that's currently a long-term positive growth tailwind for us. So any update on these things?

Rahul Shah: So exports, Aniruddha Ji, both at the inter-group within FILA network as well as to third party continues to represent a great opportunity for us. While the ongoing geopolitical tension has impacted our exports to a certain extent, we believe things to improve from here both because of certain restrictions to some other countries as well as the new distribution arrangement that we are going to soon enter with FILA Group companies across the globe wherever they are present. This should do well from an export potential perspective.

But having said that, the domestic market continues to remain a focus area. Our capacities continue to remain a little constrained. But once we have new capacities coming in, I am sure we will be able to leverage the export potential a little better.

Aniruddha Joshi: Okay, sure. Understood. Last question before I hand it over to the operator again? See this product has a immense potential, may not have any really great potential in e-commerce per se, but has got immense potential in quick commerce. So what will be the strategy of DOMS looking at over, let's say, next 2 to 3 years to penetrate significantly in a quick commerce channel? Yes, that's it from my side.

Rahul Shah: So Aniruddha Ji, definitely quick commerce, e-commerce we are present there. Our business in that segment is also growing but our presence there is restricted only to giving convenience to our consumers. But our heart and soul remains with our general trade channel partners who have been one of the strongest reasons for our growth, our brand acceptance at the consumer level. And they are the ones who actually keep the entire wide range of DOMS products and ensure that these products reach our consumer very well. So that continues to remain the focus.

Our network expansion is going on in a very thoughtful manner. Strategically where we are trying to maximize the throughput before entering into new retail space. But having said that, in e-commerce as well as quick commerce, our presence is increasing with the sole purpose of ensuring consumers have that convenience. They are not our main focus.

Aniruddha Joshi: Thank you, sir.

Moderator: Thank you. Next question is from Naitik from NV Alpha Fund. Please go-ahead.

Naitik: Thanks for the opportunity. Sir, my question is, you mentioned about your new distribution agreement with FILA for their international channels. So I just wanted to know what kind of opportunity this could be for us.

Rahul Shah: FILA as a group is today present in close to more than 100 countries globally. In some of the geographies like South Africa, Australia, for that matter, even US, Europe, they have a strong network there and these are untapped markets for DOMS branded product. While we do some amount of sale-in certain African countries and certain amount in Australia in the DOMS brand, but in a lot of these geographies where FILA is present, the presence of DOMS as a product, as a brand, in those countries is not there.

So it represents a good opportunity. Will open many international geographies for us. So we are really excited about this partnership with FILA and FILA Group companies. But as and when we keep getting capacity additions, that is how we keep targeting to open markets. So we would not want to be in a position that we do some amount of export to many countries and are not able to fulfil their follow-up requirement that really in a way kills brand. Everybody invests time, efforts, resources in-building a brand. But then if you cannot do a follow-up sale, then consumers forget about it. So while it represents a great opportunity but we'll go country-by-country, slowly with each entity, and soon we plan to start. The first country probably we will start, would be some Latin-American country.

Naitik: Got it, sir. Sir, my second question is, can you quantify the exports to FILA and the exports of -- under our own brand-name for the quarter and for 9 months?

Rahul Shah: Sorry, I couldn't get that.

Naitik: Sir, could you quantify the exports we did to FILA and the exports we did under our own brand-name for the quarter and for 9 months?

Rahul Shah: So for the quarter, we did about INR 37 odd crores, was our sales to FILA and our exports under our own brand was around close to INR 27 crores. And for the 9-month period, this amount was, for FILA was close to INR 120 crores, while owned brand exports was about INR 82.5 odd crores.

Naitik: Okay, sir, got it. That's it from my side. Thank you so much.

Moderator: Thank you. Next question is from Sharan, who is an individual investor. Please go-ahead.

Sharan: Thanks for the opportunity. While waiting all my questions are already answered. So just want to know on a broader view, like since you are coming up with a bag and you are coming up with toys, you already have stationary products, do you have any plans to make a strategic partnership with the school chains which are operated across India, to make a strategic long-term partnership and sell your all the products together?

For example, like Poddar, Jumbo Kids and all such kind of chain schools which are there across India, sell all your bag stationary items and hygiene products and toys together for long-term stable partnership. Do you have any such plans?

Rahul Shah: So Sharan Bhai, at the company-level, we don't actively pursue such partnerships, but we always encourage our channel partners, our channel partners across India, not only partner with such educational institutions, but also participate in a lot of government tenders as well and we always authorize them to do business with them. That ensures our products reach our consumers at the same time, our channel keeps supporting us.

Sharan: Okay. So you don't directly get involved in such partnerships through the distribution?

Rahul Shah: It is encouraged through our channel partners.

Sharan: Okay. And sir, in the bag part, school bags, I have seen in the nearby shops, it's currently coming as a kit. Do you have plans to produce separate bags as well, like generic bags with variety of designs and sizes?

Rahul Shah: Yes, Sharan Ji, SKIDO Industries, our subsidiary where we have 51% stake. They have already developed a range of school bags. So our target there is also going to be the scholastic children only. These are not like the laptop backpacks, but these are more like school bags.

The first-line of product is already designed, they are right now in commercial production. And soon it will be launched in the market as a separate bag, as a separate product, right in time for the upcoming back-to-school season and it's a differentiated high value-added range. I'm sure our consumers and hope that consumers should like them.

Sharan: Sure, sir. Yes, appreciate that. One follow-up and sir, yes, if you allow me. So the Government of India is pushing for Make in India for toys segment and there is a lot of buzzword on that and the import substitution. Can you throw some light on like contribution towards that like your toy segment, how it is going to contribute to that? And are there any benefits from Government of India like PLI and as such?

Rahul Shah: So our participation in the toy segment is through an associate company called Clapjoy where we own 30%. We are seeing good traction in sales in Clapjoy. During the third quarter, Clapjoy revenues were close to INR 2 crores which represents a growth of about 35% year-on-year. The products which Clapjoy sells are now co-branded with DOMS. So we are seeing a traction in this segment.

But honestly, we have not yet learnt and do not have our learnings in this business segment. But with a lot of government initiatives, plus I think during the recent budget also there were some announcements which we are actually not yet gone through in detail, we will be doing this subsequently. We shall have a good plan for this segment, but as of now, not something which is significant.

Moderator: The next question is from Manish Goyal from Thinqwise Wealth Managers.

Manish Goyal: Couple of questions. First, congratulations Rahul Bhai, on very good set of numbers. Sir, on full capacity, how much revenue can Unican -- Uniclan can generate for the -- for FY'26, or maybe if you can give us what is the full-scale revenue potential? And you did mention that we aspire for double-digit margin. So can we achieve it for full FY'26 or you probably see that double-digit margin in the second-half of FY'26? That was my first question.

Second question was on domestic sales, excluding exports, if you see a domestic in nine months has grown 30%, but if we exclude Uniclan, then it looks like 22% growth. But within that or probably if we look at your product-wise, now the scholastic stationery and scholastic art materials has probably grown, probably mid to-single digit. So how should we read into this, and what can we expect? Was it a capacity constraint at your end, or if you can just throw some light?

Third, on overall, how was the volume growth and price growth, probably the growth what we saw 22% in domestic, how much was probably price growth within that? And can you clarify on the capex number for entire FY'25 and FY'26? You did mention but I missed it. Yes. Thank you so much.

Rahul Shah: Thank you Manish Bhai. Manish Bhai, in terms of first part of your question was with respect to Uniclan and the business plan. Honestly, sir, this is the first time we'll be doing an exercise with the management of Uniclan to make our business plan for the next year. That is something which is ongoing in-process and our business plan for the coming year should be ready, before the end of this financial year. But with the current capacity that has been put up and the utilization level that, ideally we can reach the peak level of utilization, we can reach with the current plan, the sales potential is close to between around INR 250 crores to INR 300 odd crores. But having said that, when we reach there and how we'll go about it, it's something which we'll have more clarity, probably during our next conversation, our next call.

In terms of revenue growth in the nine months, you said, excluding Uniclan, our domestic growth was about 22%. Yes, because Uniclan is predominantly a domestic business. So when it gets consolidated, the proportion of domestic sales increases. In our core segments, excluding Uniclan, scholastic stationery business grew by almost 12.5%. This was primarily on account of increasing in some of the key products under this category. In terms of scholastic art there was a marginal increase of 2.4%.

Sir, you should always, also look at the growth that we've done in kits and combination pack. If you look at the growth in kits and combination pack, you will see a growth of almost 10 plus percent in revenue. They now contribute close to 9% of our total revenue. So this segment basically, the product here gets manufactured using mainly products from scholastic stationery and from scholastic art material. So it doesn't directly sit as sales in these two categories, but it is contributed towards sales of kits and combination pack. So therefore, you'll see a little less growth in scholastic stationery and scholastic art, but then those products are actually sold as a kit and combo pack. So that's where some amount of growth is there. But having said that, this scholastic art especially, we've not added capacities, significant capacities in the last few quarters, that is something which we plan to do going-forward.

Always, our key driver of our growth has been the volume -- increasing volume, which comes from increasing capacities, where we've increased capacities in the past or the capacity increase is ongoing, that is where you see higher-volume and overall growth coming in. I forgot the last part of your question.

Manish Goyal: So Rahul Ji, like maybe was there any probably price hikes or price increase which would have helped us for a stronger revenue growth? It could be a function of your -- you would have taken price hikes, one or maybe you have a better revenue mix. If you can share your perspective? And my last question was on the capex front, so just to clarify for FY '25 and '26.

Rahul Shah: Yes. So in terms of price increase, there were not substantial price increases in our product -- any specific product or any product categories. In certain cases, there were -- which is again comes from the cost sheet approach we have where you see the raw-material or any cost significantly increasing, that time you need to increase the prices, where you feel that there is a need, we increase our prices either to the customer or to the direct consumer through increasing the MRP. But yes, change in the sales mix does result in higher ASPs and though we are not seeing significant change towards premiumization, but yes, there are certain new products which are slightly better in terms of MRPs being added. So there is a slight positive mix coming from the change in the sales mix. But largely the growth is coming from the volume growth.

And in terms of capex, like we said, we believe we will end this year with a capex of close to about INR 160 crores to INR 175 crores. And in the coming year, our target capex would be close to INR 200 crores to INR 225 crores.

Manish Goyal: Right, sir. Thank you so much. Thank you.

Moderator: The next question is from Aradhana Jain from B&K Securities.

Aradhana Jain: Hi, thank you for the opportunity. While all my questions have been answered, just one question on your brand-wise revenue growth. So if you could throw some light on how have Amariz and Fixy Fix, how are they performing? And in the "Others" category that you bifurcate, we have Amariz, Fixy Fix and now we also have Wowper, right? So like if you could just tell us how -- which brand has contributed, how much?

Rahul Shah: So Aradhana basically, Fixy Fix and Amariz are our baby brand for niche products. Amariz is used for fine art materials which we manufacture and sell, it's sold as DOMS Amariz. The other brand Fixy Fix is for our adhesive range where we have a range of products for scholastic use by school children as liquid gum and glue and the white gum. These are comparatively very small right now, but have decent potential.

Other brand is C3, which does for the quarter, we did a business of close to INR 10 plus crores. This is our economical range of product, specially targeted towards the rural market where we have multiple SKUs in terms of polymer pencils, erasers, sharpeners, so it's a separate. It's branded as C3 only, manufactured by DOMS but branded as C3, while the other brands are under the DOMS umbrella.

And in terms of Wowper, whatever sales you see from the baby hygiene segment, that's all from Uniclan, whereby the OEM business is about 15% to 16% and rest all is under their own brand, which is now co-branded with DOMS which is DOMS Wowper.

Aradhana Jain: Got it. Thank you. That is helpful.

Rahul Shah: Thanks a lot.

Moderator: Thank you very much. That was the last question in queue. I would now like to hand the conference back to the management team for closing comments.

Rahul Shah: Thank you. I would like to thank once again all of you for joining us on this call today. We hope we've been able to answer most of your queries. Please feel free to reach out to our Investor Relations team for any clarification or further queries or feedback. Thank you once again. Wish you all a good day going forward. Thanks.

Moderator: Thank you very much. On behalf of ICICI Securities, that concludes the conference. Thank you for joining us, ladies and gentlemen. You may now disconnect your lines.