Cello World Limited

(formerly known as 'Cello World Private Limited')

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February 16, 2024

BSE Limited Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400 001 **Scrip Code: 544012**	**National Stock Exchange of India Limited** Exchange Plaza, C-1, Block - G, Bandra Kurla Complex, Bandra (East), Mumbai - 400 051 **Symbol: CELLO**

Sub: Transcript of Investor Call

Dear Sir(s)/ Madam(s),

Pursuant to Regulation 30 of the Listing Regulations, copy of transcript of the Investor call held on February 12, 2024 at 09:00 a.m. (Indian Standard Time) on the unaudited financial results for the third quarter and nine month ended December 31, 2023, is enclosed.

The said transcript is also available on the Company's website.

This is for your information and records.

Thanking you.

Yours faithfully,

For Cello World Limited

HEMANGI
PRAGNESH TRIVEDI

Digitally signed by HEMANGI PRAGNESH TRIVEDI
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Hemangi Trivedi
Company Secretary and Compliance Officer
Encl: a/a

"Cello World Q3 FY-24 Earnings Conference Call"

February 12, 2024

Disclaimer: E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on February 12, 2024 will prevail

MANAGEMENT:	**MR. PRADEEP RATHOD – CHAIRMAN & MANAGING DIRECTOR, CELLO WORLD** **MR. PANKAJ RATHOD – JOINT MANAGING DIRECTOR, CELLO WORLD** **MR. ATUL PAROLIA – CHIEF FINANCE OFFICER, CELLO WORLD**
MODERATORS:	**MR. ANIRUDDHA JOSHI – ICICI SECURITIES**

Moderator: Ladies and gentlemen good day and welcome to Cello World Q3 FY24 Earnings Conference Call hosted by ICICI Securities.

As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded.

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

Aniruddha Joshi: Thanks Aditya. On behalf of ICICI Securities, we welcome you all to Q3 FY24 Results Conference Call of Cello World.

We have with us Senior Management represented by Mr. Pradeep Rathod – Chairman and Managing Director, Mr. Pankaj Rathod – Joint Managing Director and Mr. Atul Parolia – Chief Finance Officer.

Now I handover the call to the management for initial comments on the "Quarterly Performance" and then we will open the floor for question-and-answer session. Thanks, and over to you sir.

Pradeep Rathod: Good morning, everybody and a very warm welcome to everybody present on the Call. Along with me was joined by Pankaj Rathod, who is the Joint Managing Director and our CFO – Mr. Atul Parolia and our Investor Relations Advisor SGA.

The "Results and the Presentation" are already uploaded on the stock exchange and the company website. I hope everybody has a chance to look at it.

Cello World had a decent quarter in terms of revenue and profitability. During Quarter 3 FY24 we achieved revenue of 527 crores, EBITDA of around 137 crores and PAT of around 90 crores. Quarter 3 FY24 revenues grew by 24%, EBITDA grew by 30% and PAT grew by 30.4% on a year-on-year basis. As mentioned earlier these growth numbers are estimates. Kindly note, that the multiple partnership firms got merged in FY23. Hence comparative data for the same quarter of the previous financial year is not audited. The growth figures mentioned are approximate numbers.

Throughout the festive season we observed improved growth momentum. We are continuously adding new and differentiated products to our portfolio which is helping us improve sales and increase market share. Our strategies involve extending our sales and distribution network and enhance customer wallet share, establish partnerships with additional distributors and fortify our brand presence. Capital expenditures for the nine months of FY24 amounted to 168 crores, including a capital work in progress of approximately 48 crores. Anticipated total capital expenditure for the current year is around 250 crores. We have consistently demonstrated robust track record on OCF and EBITDA conversion in recent years. As we optimize the utilization of our asset, we expect the return ratio to remain strong.

With this belief I would like to hand over to our CFO – Mr. Atul Parolia for "Financial Updates".

Atul Parolia: Thank you Mr. Pradeep Rathodji and good morning, everyone. Before I give you a synopsis of financial performance, I would like to highlight that this entity is a combination of all consumer business of the promoter group. Our group restructuring was undertaked to consolidate the business under the company. However, all the financials for historical years have been restated and are fully comparable only on full year basis.

Talking about the Q3 Financial Year '24 performance; during Q3 Financial Year '24, we achieved revenue of 527 crores, EBITDA of 137 crores. EBITDA margin stood at healthy 25.9 crores. For Q3 FY24 revenue grew 24%, EBITDA grew by 30% and PAT grew by 30.4% on year-on-year basis. As mentioned earlier, these growth numbers are estimates.

Coming to our nine-month Financial Year '24 Performance:

We registered a top line of 1,488 crores of which (+67%) came from the consumerware 16.5% from writing instrument and the remaining 16.5% from the moulded furniture and allied product. The performance has been led by the volume growth and product mix. There was a degrowth in product pricing owing to raw material decline and pass through. In terms of channel mix, we have a strong presence in general trade which contributed 77.6% of our sales. Export revenue was about 9.3% and online sales contributed about 8.6% of the top line, remaining 4.5% came from the modern trade. We believe that there is a potential to increase contribution from both online and modern trade channels in the future.

Gross profit stood at 780 crores with a 52.5% margin. GP margin of consumerware was 52.8%, GP margin of writing instrument was 58.7%. Due to our continuous focus on product mix and valued products and our margin profile in this vertical is higher than the industry. Moulded furniture and allied product have a GP margin of 44.5%.

EBITDA came in 395 crores with 26.5%. EBITDA margin profile across vertical is also very healthy. PAT was around 242 crores with 16.3% margin. The growth opportunity ahead of us are vast and healthy cash flow and balance sheet. We are well positioned to seize upcoming opportunities.

With this we open the floor for question answers. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. Our first question is from the line of Percy Panthaki from IIFL.

Percy Panthaki: Again, just on memorandum basis, if you can help us understand the YOY growth of different segments that will be very useful.

Pradeep Rathod: On consumerware, we have grown 15.4% on revenue, in writing instruments we have grown 20%, on furniture and allied products we have grown around 2% on revenue side.

Percy Panthaki: Secondly, I just wanted to understand your margin trajectory going ahead, now with the input prices coming down, you have seen a margin expansion. How much of this do you think is sustainable in the longer run? Do you need to pass on anything further to the consumer should we be therefore sort of building in some moderation in the margins? Because what we are seeing although your growth is good, the demand environment overall is quite subdued. So, in order to spur growth do you need to do anything like that?

Pradeep Rathod: Yes, definitely. We did pass on whatever we could achieve more margins from our raw material pricing been softening. The raw material prices at this level have gone up by around 3% to 5%, what it has come down by 30% from last year till the 2 or 2& half - 3 quarters. It is a little up now and I think we will be able to sustain our margins if not increase further from here. At present because January is already passed, and we are in the middle of February. So that's what we are seeing. Yes definitely. The growth is not very high in the consumer market. It is little muted sales and that's why in my first statement also we said we could have achieved better if the market position was good. That's why it is a decent quarter, not the best quarter. That's what we feel. Going forward if the consumer demand increases, there will be an advantage on the margins also of the company.

Percy Panthaki: Can you help us understand the seasonality between the December quarter and the March quarter? So typically, on the sales March quarter in a normal year is typically what percentage of the December quarter and also in terms of margins the March quarter margins, are they higher or lower than the December quarter EBITDA margins?

Pradeep Rathod: Definitely, our March quarter will be in line with our 3rd Quarter which is there because October-November-December, Diwali being shifted this year in November. So that's why it was good, and our March quarter is always better than post Diwali quarter. So, margin on product lines but we will be in line of the margins what we are today.

Percy Panthaki: Any reason why the March quarter is as good or better than the Diwali quarter? Because I thought Diwali will be the time where there will be a lot of….

Pradeep Rathod: Because summer also in India insulated wares and for keeping beverages cold is a very big season and it is a long season in fact. Then back to school again is good in consumer side, water bottles and lunch boxes.

Percy Panthaki: And last question from my side is how do you see the margins of the glassware segment? So, what I understand is that this is a kind of plant which has to be run continuously and for the demand to come up it might take some time. So, in the initial phase whatever you produce might have to be sold at a very low cost either in an export or in some wholesale or something like that. So, do you see any margin pressure in the initial few quarters while this plant ramps up?

Pradeep Rathod: We have been running this similar plant in our Opalware which is also 24X7, 365 days working. In our sodalime glass which we are starting around first quarter of FY25, will grow up. Because in glass always you cannot be selling everything what you produce on the day one. And accordingly, the pricing will not get muted. I think that the margin levels after two quarters of running, it will be at the same level what we have projected.

Percy Panthaki: But even assuming good demand in the glassware, glassware typically would have lower margin than Opalware. So at a blended level do you see any margin pressure?

Pradeep Rathod: Not really. What kind of product mix you do accordingly because there are segments in glassware which gives really good margin on that. And what we have projected what products we are trying to develop, I think so it will be light, a percentage or two plus or minus. But the capacity is much higher in terms of tonnage over there of the furnace. So that will give us a better cost also.

Moderator: Our next question is from the line of Achal Lohade from JM Financial.

Achal Lohade: Can you just clarify; you mentioned revenue 24%, EBITDA 30%, PAT 30% growth. Was that for 3Q or was that for nine months?

Pradeep Rathod: It was for Q3.

Achal Lohade: But you also mentioned numbers of 15.4% for consumerware, writing instrument 20%, furniture 2%, again was that for 3Q?

Pradeep Rathod: That's for nine months.

Achal Lohade: Since you've given the revenue kind of growth, can you also help us understand in terms of the volume growth for each of these three segments, a ballpark number for 3rd Quarter and nine months?

Pradeep Rathod: So, if I think the volume growth for our consumerware would be at least 5% to 6% more than the value growth. As I earlier also stated in the last quarter meeting, because of the raw material we are passing on some part of it and even writing instruments is not much, volume and value is almost similar, 2% maybe and furniture of course it is around 14% to 15% volume growth. Volume is around 14% to 15% growth; value is only 2%.

Achal Lohade: And if you could also help us for nine months.

Pradeep Rathod: So that's for nine months.

Achal Lohade: This is for nine months. You have for 3Q as well.

Pradeep Rathod: Q3, it would be on a similar ground because the raw material for the first three quarters was lower only and accordingly, what we had passed. So, in fact there would be furniture and all I think we will have to increase the price, or we will have to stop little discounts going forward because there the raw material effect is much higher than any of our other products.

Achal Lohade: If you could give the revenue growth for 3Q for each of these three segments.

Pradeep Rathod: Revenue growth for Q3. So Q3, the revenue growth for consumerware it was 31% for Q3, writing instruments was 9.2%, furniture was 9.4%.

Achal Lohade: And assuming a similar price impact, it means the volume growth in consumerware is actually 36 - 37%. Have I understood it right?

Pradeep Rathod: Yes, volume growth.

Achal Lohade: Can you help us understand any of the categories which have seen dramatic change in terms of the growth or momentum, especially given the weak demand post festival?

Pradeep Rathod: Festive season was there in October. October was a very high growth month for us because in Diwali and product category wise is not a single category on an overall market the sales increased. So, there are consumer insulated-ware like casseroles and all which are somehow made for specially gifting and presenting that grew a little higher and it's always there in that month.

Achal Lohade: I think given the numbers what peers are reporting and not for our category per se but in general for the kitchen appliances, this is actually super awesome. Now second question, if you talk about the RM price change for 3Q and the current how they are trending.

Pradeep Rathod: So, the raw material price has gone up by 5% I said, so 5% if you see gross margin levels it would affect around 1.5%-2%.

Achal Lohade: So the 5% increase is happening in fourth quarter, right or 3rd Quarter the prices have….?

Pradeep Rathod: Yes, fourth quarter. We still have a little raw material which is there of lower for this quarter, I don't think so it will be a major effect at all.

Achal Lohade: Can you help us in terms of any guidance you could provide for the revenue growth and the margins for the company?

Pradeep Rathod: We would like to stay on the line of growth what we had earlier projected, plus-minus the raw material pricing. So, in (+20%) growth level we would like to keep.

Achal Lohade: This is for revenue, right?

Pradeep Rathod: Yes, for revenue.

Achal Lohade: About EBITDA or PAT.

Pradeep Rathod: Similar level that what we are in percentage terms. So, you could relate it directly to that.

Achal Lohade: Another question I had is if I look at QOQ, there is a revenue increase of about 6%-7% but the other expenses have seen a drop. Can you clarify if there is any particular line item which has seen a decline in the other expenses?

Pradeep Rathod: Other expenses increased.

Achal Lohade: It was 93 crores in 2Q and that went…

Pradeep Rathod: Q2 to Q3 you're talking about?

Achal Lohade: Yes, QOQ.

Pradeep Rathod: Near 3 crores.

Achal Lohade: Given the sales have increased by 8%, logically there would be some increase. But there is a drop. Is there any reduction in the advertisement sales promotion expenses?

Pradeep Rathod: No advertisement. This was the highest quarter that we did advertisement. In percentage terms it was almost a percent more than what we normally do.

Achal Lohade: I was checking from more absolute number perspective. If there is any provision write back or anything of that sort.

Pradeep Rathod: But I don't have really the other expenses at present. But we will give you the detail on this.

Achal Lohade: One more question I had with respect to glassware the new facility; is it on track to commission in March '24 or you said 1Q FY25?

Pradeep Rathod: No. So, the production will start in first quarter because the furnace will get fired by end of March. 15 days plus and minus. So, the main production and the category what we want to make will come in another two months in fact. So, the sale conversion would be around June because 20 days the furnace will…. Then we have the best good glass coming out of it. And then we have to make almost 80 to 100 SKUs ready to launch in the market.

Achal Lohade: One more question I had was for the writing instrument; Jan-March this quarter a fairly large one. So, can you guide us how things are playing out in this particular segment in the month of January, even in February as we speak?

Pankaj Rathod: So, January was not very strong because this normally happens because in the winters in the north there is less people footfall in the retail shops. But February and March because being an exam season now, the volumes have started picking up and we said that we feel that these two months would be a good strong months for us.

Achal Lohade: And just a bookkeeping question with respect to retailers in each of these three segments and how do you see it increasing over next 3-4 or 5 years?

Pradeep Rathod: I couldn't get it properly. Could you please repeat this?

Achal Lohade: The distribution in terms of retail reach, retail touch points what are they currently as of December for consumerware, writing instrument and furniture? And how do you see it increasing over next 3-4 years? Where I'm coming from this 20% growth what you are aiming for, how much of that would be actually driven by distribution expansion/the wallet share?

Pradeep Rathod: Distribution expansion is on a continuous basis, in writing instruments it is the highest retail point increase because as I said earlier also last year, we were only at 55% to 60% of the geography of India. And on a full scale of writing instruments, we assume that we would have around 2.5 lakh retailers to touch, what were at (+150) in last year 75,000,

Pankaj Rathod: We are growing at about 10% to 15% every quarter. So, I think by the end of the next year we will be almost doubling this number of retailers.

Achal Lohade: And how about the consumerware?

Pradeep Rathod: Consumerware is a large business, very big… because it would be around some details of we do not have a real track on that. But as our distribution expands into rural areas what I have said earlier, going forward next 3 to 5 years Indian rural market is picking up on this kind of a products in a big way. And though last two-three quarters were not really subdued in the rural areas but going forward I think the next 3 to 5 years, the expansion in rural areas will be very high. So, we are reaching at every district and that number of retailers which will convert into holding this kind of product across it will be in 3 to 5 years, the retail has to double from here on this kind of product because the nuclear family is coming up even in smaller towns, the enhancement of using this product will be very high. That's why the rural area expansion is much more what we rely on over the next 3-5 years.

Achal Lohade: Just to get deeper into this subject, what is the current rural mix we would have and how do you see it changing? Number two, will this come at similar margin or lower margin at gross as well as EBITDA level?

Pradeep Rathod: It will be at a similar margin because we are not a very high premium product, or we are a general day to day common man product. So, I don't think so. There would be a differentiation of pricing over there. Of course, maybe some freight element and all would be a little higher in the initial time but going forward it will definitely be at the same level.

Pankaj Rathod: Maybe the rural market we will have a lower price point products selling more but the margins are similar on those.

Achal Lohade: And what is the mix currently from rural?

Pradeep Rathod: Rural in consumerware would be around 18% to 20%.

Achal Lohade: And over next 3-4 years will this go to like 40%-50% or will it be like that?

Pradeep Rathod: (+35) is definitely 35% to 40% because urbanization is also happening. So those people who shift from the rural India to cities, smaller cities and towns that's why those who have a little more pocket to use this kind of product are also getting urbanized.

Achal Lohade: Any comment on the new product category within consumerware which you are adding or which you have recently added and will see a fastest growth?

Pradeep Rathod: We have not added any category per se but yes development of new products are always there every month. And the category what we will add will be the glass, what we will add in the time to come in next 3 to 6 months.

Moderator: Our next question is from the line of Praveen from Prabhudas Lilladher.

Praveen: First question is related to the increase in the raw material. So, will it be possible that the coming quarter you'll able to pass on the increase and our gross margin back to the first half level?

Pradeep Rathod: We will be able to pass on. Maybe if it doesn't pass on in a month it would be a month later. At present as I said for next one quarter, we do not assume that our raw material prices or the gross margins will reduce because of the raw material price increase because we have inventories over there at a good pricing and good quantity.

Pankaj Rathod: Because also, this year has been an overall subdued for the consumer market. So, there were a little bit more price discounts which were given in the market. And once the market improves, I think we will have to withdraw some of them. So that will take care of the raw material price increase also and maybe some we may increase.

Pankaj Rathod: This would have been a better year. Maybe the margins would have improved because we have put a lot of good product mix with the more value-added products in the market. But because of the market being slow we couldn't really get the fruit of that. So maybe in the next coming years I think we will get more benefit out of that.

Praveen: Second is on the quarter number on the distribution. If I just back calculate with your numbers of first half and the nine month, the general trade is increased for a quarter. So, it's reached around 80% around. So, is there the seasonality every 3rd Quarter general trade is on the higher side because of the large consumer numbers, is it like that?

Pradeep Rathod: Yes, because Diwali month the general trade and presentation because presentation material is not very high on online and other things. It is much more on here. So online product sales are normally which are consistently selling not only seasonal products to that aspect. And that's why the retail and general trade always increases in this quarter.

Praveen: And second thing is on the rural, you said the 18% to 20% of a consumer is rural mix which you wanted to take it to 35%-40%. So, if you can some color on the distribution mix like (+700) of your consumer distributor or (+58,000) of a retailer, how much is your rural based and where you are taking these numbers to?

Pradeep Rathod: If I see about the consumer, if I talk only about the consumer, the number of distributors would not increase like what we grow accordingly because the distributor expansion on his area and territory also is there, the number of retailers sub-distributors will be more because at a smaller and we will have to have sub-distributors. Because he will not be able to keep our total basket of products because the range is too huge. And if the sales are smaller, it will have to be supplied from the distributor to the sub-distributor. So that number will increase at a fast pace.

Pankaj Rathod: Which is directly handled by the distributors. So, we will not be in touch with those sub-distributors. Our distributors in case will take care of that.

Praveen: So, the distributor one is handling the ruler and the urban both. So, we are also not able to segregate which are the rural or the urban.

Pradeep Rathod: Rural and urban that way because our distributor, if I give an example of Jodhpur as a city where we have a distributor. So, a district below that there are around five districts which are there. At two of the district headquarters, we have distributors. But the other three which are smaller districts where it is supplied through the Jodhpur distributor and earlier, he was directly doing it to the retailers. So now we are wanting to put a stop point as a sub distributor over there in the district. That's what we are trying to do. So, if we have a distributor then the range and the material supply in that district will be much faster.

Praveen: One more thing on the writing side. If I look at it, there is a seasonality you had said for the fourth quarter, definitely would better off. But in the first half also if I look at the growth is quite good as compared to 3rd Quarter. So, 3rd Quarter is usually a lean quarter for the writing instrument business.

Pankaj Rathod: Fourth quarter is a good quarter; the first quarter and fourth quarter are better quarters because the first quarter is back to school and the last quarter is exams.

Praveen: So, the first and the fourth is heavy quarters and the second and the…

Pankaj Rathod: There's not too much difference between all the quarters maybe at 10% here and there, yes. The first quarter is very strong. Second and third are okay and the last one is again good. So more or less the difference between all four quarters will be not too much of 10% or something like that.

Praveen: And so as for our export business as well because that is I think writing is a larger proportion.

Pankaj Rathod: Export we are fully booked for at least for the next 3 months. So, we have orders in hand, it's just the execution part.

Praveen: So basically, this quarter export is also down. So that's why I'm asking, there also seasonality depends on the writing business.

Pradeep Rathod: Little bit, not much because in the US and all they buy the material much earlier for the back to school and everything because the timeline period to go to the store in US it takes a lot of time.

Praveen: And just the last thing on utilization of each segment and how much is the in house for a quarter this time?

Pradeep Rathod: Utilization is almost similar level what it was last because we have not grown very high. Of course, on our consumer side we have utilized a little higher our capacities. But on the other side, we still have capacities and we are things on most of the fields, all the three, capacity utilization in consumer value would be around 75% to 78%, furniture still it is very low at around 70%-72%, writing instruments also we are around 75%.

Praveen: And in house is 80% of yours total.

Pradeep Rathod: In our field one more thing I would like to clarify is the capacity utilization in mostly plastic products and this, really depends upon what kind of product you're making because there are always four parts in a casserole if I talk. If I make a casserole with a higher value addition like plating and making it golden and all the value increases much higher. So, to tap it really what is the capacity utilization is only estimated figure. Last year I can say I'm working, my furnace is working at what level, 100% or 85% because it's in tonnage. Here it is number of pieces from a raw material which is converted from kg to pieces.

Pankaj Rathod: Plus, our capacity on the houseware business or plastic houseware business or souumeware is just to adding some more machines. So that doesn't take much time. Even in the writing instrument we have two units which are capable of almost doubling the sales from here. We add machines as per the growth.

Praveen: Any number on '25 CAPEX?

Pradeep Rathod: CAPEX earlier what we are given in '25, the major CAPEX would be only like contested on our existing product line. So, the major CAPEX is this year only because the glass was the major CAPEX what we said, next year the CAPEX would be around 55 to 60 crores.

Moderator: Our next question is from the line of Akhil from B&K Securities.

Akhil: My first question is on the capital deployment side. Would it be possible to give how is the capital deployed across the three segments as on nine months of FY24?

Pradeep Rathod: Capital deployment, it's not there with us. We have not segregated that.

Akhil: Would it be possible like at least a ballpark figure on...

Pradeep Rathod: We will give you the exact figure in a couple of days if you want.

Akhil: And operating cash flows for the nine months.

Atul Parolia: Cashflow we are not prepared.

Pradeep Rathod: So that will be year-end. We will give you in the next quarter.

Akhil: Second on the Opalware side. We did capacity expansion around August last year. The current capacity is at 35,000 tons, is that right?

Pradeep Rathod: No, it is around 25,000 tons.

Akhil: After the expansion?

Pradeep Rathod: I'm really sorry on that. The furnace capacity is different. But we have two kinds of calculations. So, when I say we have a capacity of around 82 tons of furnace. 82 tons into 365 30,000 but what we get in hand is around 80% efficiency. That's around 25,000 tons.

Akhil: And last meeting we had highlighted that we should touch around 430 to 450 crores of a top line at the peak utilization, is that number correct?

Pradeep Rathod: Yes, 420 crores for Opalware. That's the selling price what we are selling today and the capacity what we have.

Akhil: And would you be able to highlight the margin profile in Opalware segment for us?

Pradeep Rathod: So, we have kept consumerware together and it really opens a lot of things for the competitor. I would like to keep it together please.

Akhil: But would it be in line to the market leader of Opalware or would it be slightly below them?

Pradeep Rathod: It is at a similar level, a little below maybe because of the depreciation which we have a new depreciation they had earlier 1%-1.5% is the difference.

Akhil: And this 420 crores of top line you said we should be able to achieve by '26, right?

Pradeep Rathod: Yes.

Akhil: And lastly on the soda lime glass facility, the capacity is of around 20,000 tons. Can you please highlight the margin profile in this segment? And second is how much of time it will take to reach the peak utilization and what kind of sales we can generate from soda lime?

Pradeep Rathod: So, the revenue would be around 225 to 230 crores at the peak. And to get up to that, so we are replacing the import. So really speaking whether we will be able to achieve in 1.5 years or 2 years, that would be the timeline. So, it could be earlier because we are just replacing, there's an 800 crores of import which is coming into, and we would be replacing that. So, the demand for our goods would definitely be there. How fast we could do is minimum is 1.5 years and maximum could be 2 years.

Akhil: And the margin profile for this segment would be in line to Opalware?

Pradeep Rathod: Yes, in line with Opalware. It looks like we have to test the waters yet.

Akhil: How big is the opportunity size in this segment?

Pradeep Rathod: So, glass could be very big because as I said 800 is import. There is no really prominent local player in India, and we have taken one of the best equipment. I think the quality as we desire to have if it comes, the market will not be a problem for growth from here. So, we're just still waiting to have our first product get into production.

Akhil: But are we playing on the price point like the imports are expensive because of antidumping duty or something of that sort?

Pradeep Rathod: No, on glass there is no antidumping duty at present. Of course, freight is there, is one element which will be around 8% to 10% that leverage we will definitely get and 20% duty on the product. Though dumping is a lot big problem in glassware around the world. But with these two things, we would be able to achieve our margins.

Akhil: We will be price competitive at least if not 30% but at least 10% to 15% as compared to imports?

Pradeep Rathod: Sure.

Aniruddha Joshi: Just 2-3 questions from my side. One is regarding the pricing. So, when the commodity prices are volatile, we need to take the price hikes or price cuts. So, when do we do this exercise means is it every month exercise or it's a quite frequent exercise. And also, how do we change the price? Basically, we increase the trade margins and then it is up to the trade to pass it on to consumers or in a way how does it operate?

Pradeep Rathod: Normally on a consumerware we always do not change our MRP. So, we adjust it with a scheme which is ongoing every time when the prices are good. If the prices go up then we reduce that discount what we have to pass on.

Aniruddha Joshi: So essentially it is then left with the trade to in a way decide whether he wants to fully retain that or partially retain that or pass it on.

Pradeep Rathod: No because our salespeople definitely make that pass because we then give a little target also, if you buy the general goods you will get 3%-2%-5% accordingly. So they have to achieve something to get that discounts also.

Aniruddha Joshi: What is the ad spend target? Because we have seen one or two players in the industry also incurring up to 8% of sales as ad spend. Especially coming up in order to support the additional sales of glassware and Opalware what will be the strategy in terms of the increase in ad spend in FY24?

Pradeep Rathod: Definitely we are looking at recently more ad spend than what we have done over the past years. We want really to bring the trend up. So, as the margin presses and when our revenue pocket size is increasing in a bigger way, I think so our spending amount itself will be very big, will be much at a decent level what it was. It was much higher than what we spent over the last 2-3 years.

Aniruddha Joshi: Any ballpark guidance that you can share in terms of percentage of revenues or any percentage terms?

Pradeep Rathod: We really want to target at around mid-20s as revenue growth over the next 2 years.

Pradeep Rathod: I am saying ad spend to sales ratio.

Pradeep Rathod: So, the ratio would depend upon the market situation how it goes because it would be around 4.5% to 3%. 3% we would like to do for next year.

Aniruddha Joshi: Last question from my side, can you elaborate bit more on the contract with Mr. Amitabh Bachchan, for how long he is going to be brand ambassador and is there any plans to in a way diversify or add more celebrities for the company?

Pankaj Rathod: Right now, Amitabh Bachchan, we have this agreement with them which will end up middle of next year and then it will be renewed for another. So, we do every year renewal for the release that's all because they normally do one to one year, they don't do it for a long period. But mostly every time we have been doing this for last 5-6 years, so we are continually reviewing the agreement every year.

Moderator: Our next question is from the line of Karan from Asian Market Securities.

Karan: Very strong growth in consumer wear is also contributed by Opalware segment which has seen some kind of capacity expansion lately, so can you give me revenue numbers for Opal and glass for 3 months and 9 months and the growth on a nine-month basis?

Pradeep Rathod: Opalware we have kept it together, so we are not projected separate numbers.

Karan: Can you throw some light on the capacity utilization on the expanded capacities in the Opalware in Daman now?

Pradeep Rathod: I think for sales manufacturing, so we are doing 100%.

Pankaj Rathod: No what is he saying that the capacity is in Daman.

Pradeep Rathod: Yes, it’s in Daman only.

Karan: So how is the capacity ramp up after the expansion at Daman?

Pradeep Rathod: So, the production side it is full. We are doing…

Pankaj Rathod: No, he's saying the second plant what is the capital utilization. That is what he meant.

Pradeep Rathod: Can you please repeat? Do you want?

Karan: I was asking for the capacity utilization on the expanded furnace at Daman.

Pradeep Rathod: Because the product lines have changed, so I cannot but overall, our capacity earlier was around 14,000 tons of glass and now it has become 24,000. so out of that at present we are utilizing around 60% to 65% on sales.

Karan: Also, can you throw some light on the new SKU launches across categories for these nine months?

Pradeep Rathod: SKUs as a product we have introduced in our consumerware, around 80 SKUs, writing instruments in nine months.

Karan: YTD FY24. That will be helpful.

Pradeep Rathod: Writing instrument, SKUs will be like 40 to 50 new SKUs over there, moulded furniture we have introduced around 14 new SKUs.

Karan: And the expansion on the channel side, dealer distributors for nine months expansion compared to '23 numbers?

Pradeep Rathod: As I said, as Pankaj has already explained on writing instruments, we are increasing at least 10% to 15% retail end at every quarter.

Pankaj Rathod: But there are new categories also we are entering into the writing instrument because we are a new company for last 3 years only, so there are a lot of other categories where we are not present. So, we are in the process of adding and maybe the next year would be more categories which will be coming. So that will take care of the growth and plus we are expanding our retail touch points.

Karan: And on the value addition side for moulded furniture were targeting kind of (+30%), so how are we out there as of now?

Pradeep Rathod: Yes, you are right, we were around 10% to 12% when I last had a call a year back maybe. And this year we would be growing around 3%-4% in a mix, there are value-added products which we started 2.5 years back which is now giving around 14% to 15% of the revenue.

Karan: 14% to 15% of revenue compared to 10% a year back?

Pradeep Rathod: 10% to 12% yes.

Karan: And one last thing from my end, we were kind of expanding a couple of categories on the writing and stationary part. So how are things progressing there and the addressable market out there?

Pankaj Rathod: We are getting into this coloring pens and all those stuff which will be added in the next year. The writing, coloring instruments which are mainly sketch pens but not those lower end but the higher end ones with brush markers and paint markers and with calligraphy pens and all those and we get a little more value-added products. This will be added in the first quarter and some of them in the second quarter of next year. So that would be a market where we look at a very niche type of product. At the moment nobody's getting into that category. So, everything in those coloring is a very low-end product. As we saw that remember we always wanted to be more on value added products than being in a mass very lower end of the product. So, we are not going only for volume, but we are going for more value-added volumes.

Moderator: Our next question is from the line of Saket from Kapoor Company.

Saket Kapoor: Firstly, in terms of the moulded furniture category, this business is entirely housed in the subsidiary WimPlast, or do we have separate entity under any other company also?

Pradeep Rathod: No, it is at WimPlast.

Saket Kapoor: So, when we look at the quarterly performance also, there is a dip in the margin in the plastic furniture and the allied product segment. So, what explains this dip in margin because for the nine months the margins are higher than what this quarter numbers have been? So if you could explain.

Pradeep Rathod: On the nine months it is on the similar lines.

Saket Kapoor: But quarterly there is a dip when we look at the profitability.

Pradeep Rathod: Probably it could be because of the product dip what we sold of 1% is what the difference is.

Saket Kapoor: So, going ahead what should we be penciling-in in terms of this segment performance for the year as a whole and also your strategic move going ahead, what should be the likelihood? We had some headwind issues in terms of the raw material prices especially. So, if you could give us some color how is this category going to shape up.

Pradeep Rathod: As I said earlier also, we are going for little value-added products and niche products in this which we started 2-2.5 years back and we have achieved around 15%. Going forward we want to grow that and go up to around 25% to 30% of the revenue coming from there, which will definitely help us increase the margins also in percentage terms.

Saket Kapoor: What should be the margin bracket we should look and currently if you could just correct the raw material vagaries?

Pradeep Rathod: This would not be in consumer products, but I think so, we would like to take it around 15% to 16% PBT.

Saket Kapoor: 15% to 16% should be the PBT margin for the plastic furniture segment?

Pradeep Rathod: Yes.

Saket Kapoor: And what is the volume growth we will expect?

Pradeep Rathod: The volume here largely would depend upon the volume growth…. volume growth would be around 15% is what we are targeting because not much higher than that.

Saket Kapoor: And what has the growth for the nine months in terms of volume?

Pradeep Rathod: Volume I said 15% because the value if you still see is only 1.9% because of the raw material which was very low in the first three quarters. That's why there was a price. what we passed on was in the range of around 13% to 16%.

Saket Kapoor: And we were also expecting some land and building sale under this category? I think so for the cooler part the investment which we have made earlier, have we gone through the transaction or if you could give us some color?

Pradeep Rathod: It was for the previous quarter.

Saket Kapoor: So, we have concluded the transaction?

Pradeep Rathod: Yes, we have concluded. It was not only for coolers; it was a very big building what we had. And we have shifted the cooler also to our Daman plant.

Saket Kapoor: Going ahead also, in your presentation you did allude to the fact that we have been restructuring the structure of the company. So, like you have mentioned, group restructuring process. So where are we and what should your investors in WimPlast Limited should consider in terms of the restructuring process, over the years what should they look ahead? If you could give us some timeline or some idea when you speak about group restructuring.

Pradeep Rathod: Yet it is not concluded in the board. So, I will not be able to answer this, but it will be very soon.

Saket Kapoor: So, we may look forward for further restructuring and further rationalization going ahead, that is what you are saying?

Pradeep Rathod: Yes sure.

Moderator: Thank you. Ladies and gentlemen that was the last question for the day. I now hand the conference over to management for closing comments.

Pradeep Rathod: Thank you everyone for joining today's call. I hope that we were able to answer your questions satisfactorily. If you have any further queries, please contact SGA, our Investor Relations Advisors. Thank you very much.

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