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Ref: 5404/23-24/0044

August 11, 2023

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

Scrip Code: BSE: 516003

Sub: Transcript of the Earnings Webinar held with respect to the Unaudited Financial Results for the quarter ended June 30, 2023

Dear Sir/Madam,

With reference to our letter no. 5404/23-24/0035 dated 31st July, 2023 regarding intimation of the Q1 FY 24 Earnings Webinar, post declaration of the Unaudited Financial Results for the quarter ended 30th June 2023, we are enclosing copy of transcript of the said webinar.

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

This is for your information and record.

Thanking you,

Yours faithfully,

For DUROPLY INDUSTRIES LIMITED

Komal Dhruv
Digitally signed by Komal Dhruv
Date: 2023.08.11 16:57:08 +05'30'

KOMAL DHRUV
Company Secretary

Encl: a/a

Duroply Industries Limited

Q1 FY24 Earnings Webinar

Mr. Sudeep Chitlangia, MD

Mr. Akhilesh Chitlangia, ED and COO

Mr. Pawan Kumar Verma, CFO

Navin B. Agrawal – Head, Institutional Equities

Monday, August 7, 2023

- **Mr. Sudeep Chitlangia:**

- Good morning to everyone!

- **Mr. Navin Agrawal:**

- Good morning, ladies and gentlemen! It is my pleasure to welcome you all on behalf of Duroply Industries Ltd. and SKP Securities to Duroply Industries, Q1 FY 24 earnings webinar. We have with us Mr. Sudeep Chitlangia, Managing Director, Mr. Akhilesh Chitlangia, ED & COO and Mr. Pawan Kumar Verma, CFO. This webinar is being recorded for compliance reasons and during this discussion, there may be certain forward-looking numbers which must be viewed in conjunction with the risk the company faces. We will have the opening remarks by Mr. Chitlangia followed by a presentation by the management, followed by a Q&A session. Thank you and over to you Sudeepji.

- **Mr. Sudeep Chitlangia:**

- Thank you Navinji. Good morning to everyone and thank you for attending our earnings webinar for Q1 FY24. I am happy to inform that during Q1 FY24, Duroply has reported a revenue of 75.86cr, an increase of 6.5 percent compared to quarter 1 FY23, with a profit after tax of Rs.1.28cr. This is our 5th consecutive quarter of profit, truly demonstrating that the turnaround story is on the right track. Duroply is recognized across India for its high standard of quality that has been maintained over the years. While our presence is very strong in the northern part of the country but at the same time, we are expanding our network very rapidly across the other parts of the country. In the last financial year, we had infused Rs.28cr. in the equity capital by way of preferential allotment of equity shares and warrants. Warrants issued to the promoter group, pending for conversion will be done in the near future. This infusion of funds has allowed us to take the company on the growth path as is evident from our performance in FY23 and the continued performance into FY24. Business in the 1st quarters of financial year is usually a little subdued. Cyclone Biparjoy also caused some challenges on the logistics front but fortunately there was no impact on the plant. The business scenario continued to look quite optimistic with the continued trust of the current government on infrastructure development. The unlocking of the potential of the tourism industry will continue to spur the growth and demand for our products continuously and we are gearing up to meet this future demand. At Duroply, the next generation of promoters continue to add significant energy and exuberance in our turnaround story. Akhilesh Chitlangia, who is the ED & COO is responsible for overall operations. As VP manufacturing, Abhishek Chitlangia is responsible for the supply chain and the manufacturing operations. I now invite Akhilesh to speak about the Q1 performance in greater detail. Thank you.

- **Mr. Akhilesh Chitlangia :**

- Thank you Sudeepji. So as mentioned, we had an increase in our revenue on a year on year basis, closing at 75.86cr, which is a 6.5 percent increase over the Quarter 1 FY23. Despite challenges in quarter 1, so this has been a very promising development from our end.

- Our revenue from our own manufacturing in Rajkot increased by 2 percent to 47cr. for the quarter ended and revenue from contract manufacturing has increased by 14 percent approximately to 29cr. for the quarter ended. This is on a year on year basis. Our strategic decision to enter the mid-priced market through our brand Tower continues to pay dividend. With Tower sales growing by over 16 percent over the last financial year same time. The sale of Duro brand, Duro branded products however remained flat. On a quarter on quarter basis, the Tower range grew by 5 percent while Duro range saw a decline of approximately 13 percent and distribution network continues to grow across the country. We have appointed 32 new channel partners in quarter 1, financial year 24. Given the muted demand, we moderated our marketing expenses in Q1 to 3.3 percent of sales as compared to 4.1 percent for the FY23. However, this is expected to increase in the coming quarters to close to 4 percent of the sales. Overall, our EBITA margins have marginally increased from 5.7 percent for Q1 FY23 to 5.8 percent in Q1 FY24. Our cash conversions cycle has seen a slight increase. This is due to the company significantly investing in raw materials and finished goods, keeping in mind the monsoon season and the impact it may have on the Q2 performance. I now request Mr. Pawan Verma, who is the CFO to take you through some of our numbers.

- **Mr. Pawan Verma:**

- Thank you Akhileshji and good morning to everyone. Let me take you through some of the key financials from the last quarter. Our costs stood at 66.1 percent as compared to 65.7 percent in Q4 and 65.3 percent in Q1 FY22. This is largely on account of increased business from contract manufacturing which contributes approx. 24 percent margin as compared to 40 percent.

- On the in-house manufacturing goods, this margin are consistent with FY23. We also continue to stay significant inflationary pressure on our raw material cost. Through improved operating parameters despite increase in cost, we had maintained our margin through better cost control and initiative on market allowing for higher sales of higher profitable SKU. Our employee cost stood at 9.9 percent of sales as compared to 9.5 percent in FY23. We expect this to moderate with higher sales in subsequent quarter. Our debtors has increased from 35 days of sales to 38 days of sales. Our inventory days has increased from 134 days of consumption to 140 days of consumption. Our creditors' days has increased from 119 days of consumption to 125 days of consumption. As a result, our cash conversion cycle has increased from 49 days in FY23 to 53 days in Q1 FY24. Our interest outflow marginally increased in Q1 FY24 as against Q4 FY23. On account of higher utilization of our cash limits to fund the increase in our stock holding capacity, interest cost as a percentage of sale stood at 2.4 percent of sales. Our ROCE stood at 11 percent as compared to 12 percent in FY23. Thank you. Now I ask, invite Akhileshji.

- **Mr. Akhilesh Chitlangia:**

- Thank you Pawan. So the journey for us has just begun. There is a long way to go. We are confident that this turnaround is sustainable and the company will continue to grow. We had indicated our growth to be in the range of 18-20 percent for this financial year but the demand in quarter 1 was muted but yet, we are still confident of maintaining an overall growth this financial year in the mid to high teens. With that, let me request to open the floor for any question and answers.

- **Mr. Navin Agrawal:**

- Thank you Sudeepji, Akhilesh and Pawanji. Friends, we open the floor for Q&A session. So anyone with a question, request you to please raise your hand. We will unmute you and take your question with the management. We will just wait for a couple of minutes while the questions are being lined up. Can we have the 1st question from Jojo Shaju. Jojo, please unmute yourself and go ahead.

- **Mr. Jojo Shaju:**

- Am I audible?

- **Mr. Navin Agrawal:**

- Yes, loud and clear. Please go ahead.

- **Mr. Jojo Shaju:**

- Thank you, sir. Thank you for this opportunity. Sir, I just want to know the current capacity for the plywood right now and what is the expansion plans going forward. I want to know, can we expect the revenue to double in the next 3-4yrs.? What is the strategy you are pursuing at the company level?

- **Mr. Akhilesh Chitlangia:**

- Thank you for the question. Rajkot's capacity is to do approximately 220cr. per annum and we have been operating at about 80-85 percent utilization. So that's the 1st part. 2nd part, we are looking at mid to high teens growth over the next couple of years to continue on a year on year basis. So that's the type of growth we are estimating. As mentioned in our previous earning call as well, that our current focus is to do de-bottle necking of our plant and in addition to grow an asset like contract manufacturing model. So I hope that answers your question.

- **Mr. Jojo Shaju:**

- Sir, what is the contract manufacturing percentage right now and where do you see it going forward in that proportion?

- **Mr. Akhilesh Chitlangia:**

- That's currently approximately 1/3rd of our entire revenue and we expect that segment to grow faster at about 20-22 percent year on year and the own manufacturing to grow at about 8-10 percent.

- **Mr. Jojo Shaju:**

- Ok. Ok sir. Can we expect a 500cr sales, let's say in FY25 or 26?

- **Mr. Akhilesh Chitlangia:**

- That would be very far in the future to say but all efforts are going on to rapidly take advantage of the growth opportunity that exists in the market. But it will be too pre-mature for us to give an indication for something that is 3yrs. away from today. We are just focused on doing better quarter on quarter at this point of time.

- **Mr. Jojo Shaju:**

- Which geographical markets you are targeting right now? What is the response you are getting for your products sir?

- **Mr. Akhilesh Chitlangia:**

- Nearly 2/3rd of our revenue comes from North India. North, which is our strongest market. But we are seeing growth from all our zones. In fact, West and South and East India are growing faster than North India of course just because the base is much lower there. Our focus right now is to maximize our opportunities in North India and grow West, South and East quite aggressively. We are getting very good response in particular from the West and South at this point of time.

- **Mr. Jojo Shaju:**

- Ok and how many dealers you have right now? Can you give me the break-up like, in the west and south which you are targeting, how many dealers you have right now? What are your plans for adding these dealers?

- **Mr. Akhilesh Chitlangia:**

- I don't have the exact numbers in front of me at this point of time but we have more than 650 direct distributors and dealers across India and we are looking to add them across India. It's not that there is anything specific for a particular zone. But if you would like the data, if you could just drop us a mail, we will be happy to answer it there.

- **Mr. Jojo Shaju:**

- Ok sir, thank you sir. That's from my side.

- **Mr. Akhilesh Chitlangia:**

- Thank you.

- **Mr. Navin Agrawal:**

- Friends, anyone with a question is requested to raise your hand? We will take it up. We have a question from Dilip Sahoo. Dilip, please go ahead.

- **Mr. Dilip Sahoo:**
- Ya, can you hear me?
- **Mr. Navin Agrawal:**
- Yes, you are audible.
- **Mr. Dilip Sahoo:**
- Ya, thank you. I am new to the company and the sector. So excuse my ignorance if the questions are too basic. First of all, big congratulations on a wonderful annual report. It is extremely clear, concise, very confident and I think conveys the hope that the management has in future. I hope you continue to restructure, give precise and transparent annual reports in future, that's one. Coming to the business, the way I, the message I got from the annual report is that you are trying to be more a marketing company and kind of convert and bring in a lot of focus into channel expansion and distribution. So on both and particularly on this Tower brand that you have launched, from what I understand is that the brand Duro is a very very strong brand in the North. That's the essence of the company. So by launching another brand like Tower which …..from what I understand is a mass brand that you want to create, can you dive a little bit deeper into the philosophy on how you are going to manage 2 brands with the kind of resources that we have, the kind of demand….when you are competing with such strong brands like Green or Century, so that is on the marketing and branding side and in terms of distribution, what is the strategy for South & West and if you can give a 3-5yrs perspective vis a vis the top 2 brands that are there in this market, where you want to begin? Because the intention is to be no.3, right? Where do you begin? Is it going to be a distant no.3 which is almost insignificant or is it going to be a real competitive no.3? That's the 2nd one. The 3rd question is in terms of …..you have kind of pegged down the growth from 15-20 to mid-teens, which in my mind is 14-18 or may be less. Is it not a …..for a company which is a 300cr. company to be significant say a 1000cr. company will take 7-8-10 years. Is this going to change in the near future? Is there a reason why this growth scale down happened? These are the 3 questions I have. Thank you.
- **Mr. Akhilesh Chitlangia:**
- Thank you Mr. Sahoo. On the marketing side, so the Duro brand operates in the premium and super premium segment and there is a limited customer base for that same. If you look at the industry from a pyramid angle, the top of the pyramid is always a very crowded space. The response of the mid segment is coming faster. Its income levels across India, goes up. People are wanting to spend more money on the home interiors and that's the brand, that's the strategy we have taken is to tap into this market. We have kept the names separately to avoid any cannibalization of sales and to give it two distinct identities. Tower still comes from Duroply Industries Ltd. so on the trade side, it's easier for the channel partners to convince their customers that this is a more economical offering from Duro. So if you cant afford or if your budgets don't allow for purchase of Duro, then Tower is the way to go. So I hope that kind of answers your question. Tower is a 100 percent through contract manufacturing. That also means that, working capital cycle is slightly easier on the Tower brand so it doesn't put as much constraint on our working capital challenges as….so that's the strategy behind Tower.

- 2nd question was on the distribution expansion. So as you rightly mentioned that we aspire to be the no.3 brand in the mid-term. The challenge that dealers are facing with companies like the other larger players that you mentioned is that, because of rapid expansion in their dealer network and the brand pull that they enjoy, the channel partners don't get the type of margin that they want from a branded player. So that's the gap that we are plugging in. That there is a market demand, there is a very good brand recall with Duro. We have a story that the company is more than 60-66yrs old which resonates very strongly with consumers because plywood is a, it's a very emotional purchase where people are looking for durability and what is the best way to demonstrate other than the fact that the brand is the oldest in the industry today. So that's what's exciting dealers in partnering with us and that's where we are getting the response from the A grade dealers across India.

- The 3rd question, I hope, I answered that question for you and the 3rd one was on the growth being moderated. The growth got moderated is because of our performance in Q1. Demand was much more muted than expected in quarter 1 and for those reasons, we have moderated our growth to 14-18 percent. This is the growth that we are anticipating for this year and our plans will be reviewed on a quarter on quarter and annual basis. Once there is strength in the balance sheet and there is an opportunity for a faster expansion on the capacity as well as on revenue side, we will start pursuing it at that point of time. But for this year, we will keep it in the mid-teens growth.

- **Mr. Dilip Sahoo:**

- Sure sure!! Thank you very much. Just a further question from your vantage point. Is there any pressing issue you see in terms of growth? I am assuming some market growth is there. Is there something intra to the company either in terms of resources or marketing funds or is the organization depth required to expand into South and West? Is that a issue or is it just external market conditions? I am just trying to understand because if you compare no.1, 2 and 3, the gap is so high that it doesn't really matter market growing at 3 percent or 8 percent. Ya, that's where I am coming from. Is the market growth a matter to a company which is in the 300-400-500cr market share and most of your business comes from North. Right?

- **Mr. Akhilesh Chitlangia:**

- Ya.

- **Mr. Dilip Sahoo:**

- You are not much there in South and West.

- **Mr. Akhilesh Chitlangia:**

- Our biggest challenge is actually the unorganized sector. The unorganized sector accounts for 75-80 percent of the trade. That is one very big challenge that we face on a day to day basis. 2nd is also, you know as we started growing, there is a lot of competition in the market from other players as well. They have also if you see, they have increased their brand spending in this industry as well. So those kind of creates some challenge on the external side. On the internal side, you know, we raised working capital last financial year to take care and get us back on the growth part. We would like to be a little conservative and not go for a very high growth. The growth has to be sustainable. We have one of the lowest days of debtors in the industry. We keep a very strict debtor control. So therefore bad debts over the years have been extremely negligible and that's how we would like to keep it. It's very easy to increase sales by letting go of some of the financial controls that we have put in place but that's not what we want to do right now. So from an internal perspective, probably that could be a constraint. We are very stringent on our credit control.

- **Mr. Dilip Sahoo:**

- Sure! Thank you very much and all the best.

- **Mr. Akhilesh Chitlangia:**

- Ya, thank you.

- **Mr. Navin Agrawal:**

- Thank you Dilip. We have a question from Udit Gajiwala. Udit, please go ahead.

- **Mr. Udit Gajiwala:**

- Ya, hi sir! Am I audible?

- **Mr. Navin Agrawal:**

- Yes, you are. Please go ahead.

- **Mr. Udit Gajiwala:**

- Thank you for taking my question sir. Firstly I wanted to check that, you know, what kind of price do you expect across the industry and from your end as well for the coming year? And when you are expanding the market, what is your strategy to compete with those regional brands as well as the organized established brand in the said regions where you want to go?

- **Mr. Akhilesh Chitlangia:**

- Thank you Udit. So first of all on the price increase side, while the raw material cost has been increasing in our industry, for whatever reason it is not getting passed on to the consumers as much as we would like it to, we implemented a small 2 percent price hike which has become effective from the middle of June. So the full effect of that will be visible in quarter 2. And I would assume that the industry as a whole could see another price increase of about 3-4 percent in the coming months. But market dynamics will determine whether that happens or not because if demand remains muted, then implementing a price increase becomes that much harder. So that's one, we will keep an eye out on that. Can you repeat your 2nd question please?

- **Mr. Udit Gajiwala:**
- How are we placing ourselves versus the regional brands and the organized brand in the markets where you want to expand?
- **Mr. Akhilesh Chitlangia:**
- Sure. So, what we are doing quite well, I'll just elaborate on this. First is that we are able to give our channel partners a marginally better product margins. That kind of attracts them towards the company. Second is, that we run a very robust contractor loyalty program. Our industry is very influencer driven. And, third is, that we're working very aggressively with the interior designers and architects in getting the brand specified. The biggest asset that we have, as I had mentioned earlier, is that the brand is more than 66 years old and in a category where product durability is the key factor there is no other better testimony to how good our product quality is by being able to demonstrate that we've been in this industry for more than 60 years. So, riding on this, we've been growing our market. We're doing a lot of digital media presence, especially with the influencer, interior designer in our architect segment; working with them and cross marketing with them to increase our brand awareness where our spends also helps them get some business. So, we're trying a lot of new initiatives on all these fronts, which is resulting in the market responding very well to us.
- And another thing I'd like to add is that our sales team, it's extremely well trained sales team. They help in tertiary sales from the dealers counter to end consumers. This also keeps our channel partners motivated to continue working with us. So, it's a combination of all these factors that is allowing us to grow and that's our strategy going forward as well.
- **Mr. Udit Gajiwala:**
- Thank you.
- **Mr. Akhilesh Chitlangia:**
- Thank you.
- **Mr. Navin Agarwal:**
- Dilip, do you have a follow up question? Your hand is raised, so in case there is, please unmute yourself and go ahead. Jojo, your hand too was raised, do you have a follow-up question? Please, go ahead.
- **Mr. Jojo:**
- Yeah-yeah, Sir. Thank you for the opportunity again. Yeah. Sir, I just want to check on the scenario on the wood procurement. Do we have enough procurement strategy or what's the scenario there?

- **Mr. Akhilesh Chitlangia:**

- So, Jojo, yes. So, wood procurement is becoming a challenge as the months go on. There's shortage of timber and the heavy rains across parts of the country has made it challenging. But, you know, with better payment terms we've been able to increase the number of suppliers. So, in terms of procurement, we're very well hedged on the supply chain side.

- Second is also that we started recently importing some of our raw materials as well because import of timber has now become a viable option. So, we're trialing that and to see how that pans out. So, the concern is the price increase but not the availability of raw material at this point of time. I hope that answers your question.

- **Mr. Jojo:**

- Yeah. Yes, Sir. And just last question for my side, what is the average realization we are getting for Duro brand on a per square feet base?

- **Mr. Akhilesh Chitlangia:**

- I don't have that on me right now but I'd be happy to share that in the future.

- **Mr. Jojo:**

- Okay. Okay, Sir. Thank you.

- **Mr. Navin Agarwal:**

- Thanks, Jojo. We have a question from A. Balasubramanian. Bala, please go ahead.

- **Mr. A. Balasubramanian:**

- Thank you so much for the opportunity, Sir. I'm new to this company, I just want to understand about the margin side. Earlier we have done margins of 3%, 4% and something went on negative also earlier years, so right now we are maintaining around 5%. I just want to understand, is there any seasonality in the business? And like how do we look at on the margin side going forward? And the Working Capital side also, I just want to understand like how we are fine with our customers and vendors and the inventory side also if you put some clarity that would be really helpful.

- **Mr. Akhilesh Chitlangia:**

- Sure. So, thank you for that question. Our EBITDA margins have substantially improved from the past. We are close to 6%, averaging at 5.8%, 5.7% as compared to in the past 3% EBITDA margins. This is largely come on account of the Working Capital infusion that happened in the company in the last financial year by way of equity. That has allowed us to, A, meet the inherent demand that the market has. So, there's been a volume increased and value increased. We've been able to procure materials on better terms. So, as a combination of all that, we've been able to increase our margins.

- And, can you just repeat your second question, please?

- **Mr. A. Balasubramanian:**

- Sir, I just want to understand the Working Capital cycle, how we are fine with our vendors and customers and on the inventory side also?

- **Mr. Akhilesh Chitlangia:**

- So, on the Working Capital side, we were very stretched but last year we saw a significant reduction in our inventory cycle as well as payables and we expect the same to continue to further improve on an annualized basis. Inventories in our business are slightly on the higher side for the simple reason that we also operate in the decorative veneer business, which is very Working Capital intensive. So, that is there. We've implemented many new initiatives to moderate our inventory holding periods. This quarter it has slightly gone up due to the company investing in additional raw material keeping in mind the challenges that the monsoon season has and it'll begin to moderate again. Days payable is at about 119-120 days and this with the improved performance of the company and profitability will start coming down; any ways drastically reduced from what it used to be at 180-190 days. It's down to about 120 days and we expect this to continue to come down in the near future.

- **Mr. A. Balasubramanian:**

- Sir, one more question. So, look, we are a small player in the industry having ₹150 crores market cap. I just want to understand the competition side, if you could throw who are our major competitors and how we differentiate ourselves from our competitors?

- **Mr. Akhilesh Chitlangia:**

- Right. Our major competition, actually, comes from across the industry. Of course, there are two large players Green Ply and Century Ply and they have much bigger marketing budgets and because of the larger volume they also enjoy a lot of marketing pull. So, definitely, there's a lot of competition from them and then there are a lot of regional players across the country. So, parts of Eastern India has different brands and parts of Western India they all have different brands that are playing there. So, you know, we get a lot of competition from there but what's really stood for us has been our consistency of quality, high quality products that we've delivered for more than 60 plus years. We're the only brand that gives a lifetime guarantee from insect infestation in the market from termites.

- We have phenomenal relationships with our channel partners. That is the standout point. Most of our dealers and distributors have been associated with us for more than 15-20 years, which shows stability in our product quality as well as our business strategy. Our focus to the consumers has always been that a company that has been in the industry for more than 60 years stands only, you know, on quality and this resonates very well with the consumer sector.

- And, lastly, we work very aggressively with carpenters and contractors through a digital loyalty program. We engage with interior designers and architects, you know, ensuring that our brands are specified in all the key relevant projects that happen across the country.

- We have a very well trained sales team.

- So, all of this gives us an edge over the regional players and, you know, getting better relationship with our channel partners is giving them slightly better margins and the larger players is helping us grow our business as well.

- **Mr. A. Balasubramanian:**

- Okay, Sir. Sir, I missed on the earlier part regarding the volumes and the revenue growth side. If you had any guidance, that would be really helpful. And I just want to understand, is there any further demand in the industry, we are doing any CapEx part? If you put more clarity, that would be really helpful.

- **Mr. Akhilesh Chitlangia:**

- I've answered that earlier. Our revenue growth is moderated to the mid-teens. And in terms of capital expenditure, we continue to do a small capital expenditure in our plant to de-bottle neck the plant but our major focus on growth is through the contract manufacture segment which does not require any capital expenditure from our end. So, I hope that answers your question.

- **Mr. A. Balasubramanian:**

- Yes, Sir. Thank you so much.

- **Mr. Navin Agarwal:**

- Thank you, Bala. Friends, some of you have posted questions on the Q&A Board, if possible request you to come on the Q&A floor and we can take it so that in case there are any follow up questions, you can continue.

- Akhilesh, can I take some questions posted on the Q&A board?

- **Mr. Akhilesh Chitlangia:**

- Yeah, let's take the first one by Mr. Sarvesh Bodani.

- **Mr. Navin Agarwal:**

- Yeah. Sarvesh Bodani, he's posted a couple of questions. Sir, some large, organized players like Kajaria are getting aggressive in the Ply market and have a projection of ₹100cr for this financial year, is that leading to adverse competition in the market?

- **Mr. Akhilesh Chitlangia:**

- I'll answer that. So, Kajaria Plywood entered our industry in 2017 or 2018, if I remember correctly, and they have struggled to make much of a foothold in the industry. Yes, if they are renewing their focus and looking to grow aggressively, it does create a challenge but we actually look at it from a very positive point of view. The more branded players come in our industry, it will lead to the scope for branded players, branded sales will actually increase. It will increase the pie for organized players. 75% of our industry still belongs to the unorganized, so we really look forward to brands entering our space because it will change our category to the more organized space.

- **Mr. Navin Agarwal:**

- Okay. Sarvesh had a follow-up question. Also earlier, you were guiding for 20% revenue growth in FY24 and 6.5% type EBITDA margins. Now, we are talking of mid-teen growth, is it because we aren't too confident of recovery? Some volumes lost in Q1 due to cyclone and rain impact, what has changed?

- **Mr. Akhilesh Chitlangia:**

- So, our original estimation was 18%-20% growth. We have moderated that to the mid- teens like to always be on the slightly conservative side and if the market bounces back and the volume is there to get back to the high teens, we're not going to say no to that.

- What has changed has been the demand for Q1 was very muted. We're still very early into Q2 to see how that goes forward. We are very confident of the same improving but just being on the conservative side.

- The other question on the EBITDA margin of 6.5%. I think we should still be able to achieve close to that percentage. I don't see much of a challenge on that part but, yes, the volumes we have moderated. So, yeah,

- **Mr. Navin Agarwal:**

- Ankur Kumar, your question has already been answered by Akhilesh. The question was, we had margin guidance of 6.5% for this year, do we stick to the guidance? And what are the levers to reach to that margins this year?

- Dilip Sahu, yes, you can unmute yourself and go ahead with your question, please.

- **Mr. Dilip Sahu:**

- Yeah. Can you hear me, Mr. Akhilesh?

- **Mr. Akhilesh Chitlangia:**

- Yes, Mr. Sahu.

- **Mr. Dilip Sahu:**

- Yeah-yeah. So, slightly longest question. You know, just drawing a parallel. I was invested in one paints company, 100-year old brand, very strong in East. Gone through their own issues and there was a change in management. A lot of parallels I see, you know, very strong Asian Paint, Berger Paint kind of competition and so on and so forth, very tough industry growing at a similar range as ply. You know, my experience with them is when they have tried first getting into branding then to distribution and finally they got into a peak came in and they are very focused now on growing market share, winning market share at the expense of profitability. So, the guidance of profitability, which was negative for the last 5-6 years, is going to continue to be negative and they are going to take market share. So, just want to understand your thought process on both growth versus conservatism. That is one. And second is that company has gone through three rounds of equity raise and very substantial ones, last one, I think, 25% dilution because you need that kind of resources to fight number 1 or 2 who are far, far larger than yours. So, you have gone through one but, I think, that's very small compared to the kind of resources you will need. So, your thought process on if you want to be a ₹1000 crores company in next five years you need to raise multiple levels of issue, you know, equity or debt or both. So, your thought on the second. So, these two if you can let me know your thought process.

- **Mr. Akhilesh Chitlangia:**

- Thank you, Mr. Sahu, for that question. So, growth, I mean, we have the firm belief that growth has to be profitable. Yes, for us, for me personally it sounds very nice to grow at the expense of profitability but I don't think, you know, that is something that gels very well for us. We've had a tough last few years, especially COVID made it really tough. So, very, very focused on ensuring that there is profitable growth and if that results in a little bit of conservativeness, I think, so be it. The brands are built on ensuring that quality products are maintained and our market share grows through sustainable practices. We have seen players in the Plywood industry come in and struggle in spite of achieving short term success by putting growth over profitability but for some reason in our industry that hasn't worked out very well in the past. One more thing to keep in mind is that our industry is 75% unorganized and, therefore, it's fair to assume that 75% of all channel partners that operate in this industry approximately are also unorganized. And that's a large part of where our conservatism comes from. The paint industry used to be like this industry but over the last few years or the last couple of decades, they become largely an organized industry; largely. So, that actually makes it easier for someone to go down this path of keeping growth ahead of margins. So, I hope I've answered that part of your question.

- **Mr. Dilip Sahu:**

- Yeah-yeah.

- **Mr. Akhilesh Chitlangia:**

- The second is, you know, we've gone through a small equity raise, which is right. To become ₹1000 crores company, this company will require multiple rounds of funding. Our first focus right now is to demonstrate that the growth and the turnaround that we have done is sustainable and thereafter get into conversation with the right people on the next round of activity that needs to be done, whether it's equity and debt and what will be the ratio of that. It will be a combination of both. But, yes, you're right the company will need substantial infusion of liquidity and funds in the future to get to ₹1000 crores level. But first it is to demonstrate to our existing shareholders and investors that our growth is sustainable, the profitable margins are sustainable and we'll take it up from there.

- **Mr. Dilip Sahu:**

- Very good. Thank you. Thank you.

- **Mr. Akhilesh Chitlangia:**

- Thank you.

- **Mr. Dilip Sahu:**

- Very comprehensive answer. Thank you very much.

- **Mr. Navin Agarwal:**

- Friends, anyone without a question, request you to raise your hand so we can take it up.

- **Mr. Akhilesh Chitlangia:**

- Oh! There's one in the chat box.

- **Mr. Navin Agarwal:**

- Tarun Rathi. Sir, any plans to open more Experience Centres like Kirti Nagar? What's the outlook on decorated veneer, 10 inch and 12 ft. plywood and flush doors? By when do we restructure cost of funds further? So, three parts. One is, any plans to open more Experience Centres, what's the outlook on decorative veneers, plywood and flush doors and third is by when do we restructure cost of funds further?

- **Mr. Akhilesh Chitlangia:**

- Right. So, for everyone here, we have in Delhi in Kirti Nagar our own Experience Centre. It was the first of a kind in the industry which we opened in late '2016, early '2017. North India being a strongest market and we were looking at ways of consolidating our brand, ensuring our brand equity remains high and, therefore, this initiative was taken by the company. This is an extremely Working Capital intensive model that we have in Delhi NCR, mainly for the decorative business and we will look to open more Experience Centres but that is further in the future when we are able to invest heavily on the working capital side, especially for the inventory. So, no plans as such right now though we do appoint dealers and distributors through whom we open many display centres or mini experience centres. So, that is the first part.

- Second is the decorative veneer business is also growing but at a much lower rate compared to the plywood business for the simple reason that the decorative side requires a lot of Working Capital and, hence, it's moderated.

- The third was regarding the 10 ft. products. So, we are one of the few manufacturers in India that gives the entire range of 10 ft. plywood board doors and decorative veneers. It's a very niche market. It's not a volume play but it is something that helps us get specified by the designers, especially as ceiling heights are increasing, especially in the high end residential sector, so it's helping us in that segment. But it's not a major part of our volume. It accounts for less than 3% of our total revenue. So, we don't expect it to become very big in the near future as well but it allows us to market to a particular niche and that helps keep the brand equity strong in terms of innovation. So, I hope that answers your question.

- **Mr. Navin Agarwal:**
- Akhilesh, there was a small last part of the question. By when do we restructure cost of funds further?
- **Mr. Akhilesh Chitlangia:**
- Right. Cost of funds, you know, with our improved performance this is an ongoing conversation we are having with our lenders. And, I think, as the performance continues to improve, we will see a reduction in our cost of borrowing. This is an ongoing process and we are working aggressively with our banks to have the same moderate rate at the earliest.
- **Mr. Navin Agarwal:**
- Thanks, Akhilesh. Tarun, I hope all parts of your question is answered.
- Okay, there's a question from an Anonymous Attendee. Friends, it would be nice if you can identify yourself rather than putting it as Anonymous Attendee. Akhilesh, would you like to take that question or…
- **Mr. Akhilesh Chitlangia:**
- We could. Do we have any accumulated losses? Pawan, can you give the exact figure for the carry forward losses that are still coming on?
- **Mr. Pawan Kumar Verma:**
- Yeah. We have an accumulated losses of around ₹25 crores in FY23.
- **Mr. Akhilesh Chitlangia:**
- Yeah, okay.
- **Mr. Navin Agarwal:**
- So, Anonymous Attendee, I hope that answers your question.
- Friends, anyone with any further questions? Request you to please raise your hand and we'll take it up. Guess Akhilesh has taken up all the questions and answers, friends.
- Friends, thank you very much. I'd now like to hand over the webinar to Sudeep ji once again for his closing remarks.
- **Mr. Sudeep Chitlangia:**
- Thank you, Navin. Thank you, ladies and gentlemen, for joining us in this Q1 Earnings Call. There are plenty of challenges ahead of us, especially with the way the Q1 has gone. Having said that, we are quite optimistic of the growth coming in the quarters ahead and we are going to improve on all parameters. We believe in India's story and that there will be

significant demand for home interior products. The strength of our brand gives us the confidence that we will grow and play a large part in this story.

- For us, as mentioned earlier, the journey has started and there's still a long way to go. So, we look forward to seeing you at the next Earnings Call. Thank you.

- **Mr. Navin Agarwal:**

- Thank you very much, ladies and gentlemen. I've shared my email ID in the chat with everyone, so in case there are any further follow-up questions or any unanswered questions, please feel free to write to me and we'll take it up with the management and get back to you.

- Thank you very much, Sudeep ji, Akhilesh and Pawan for taking time out to interact with the investors. On behalf of all of us at SKP Securities, thank you very much and we look forward to hosting you once again in your next quarter webinar. Thank you and have a lovely day.

- **Mr. Akhilesh Chitlangia:**

- Thank you.

- **Mr. Pawan Kumar Verma:**

- Thank you.

- **Mr. Akhilesh Chitlangia:**

- Thank you. Thank you, everyone. Thank you, Navin.