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The Forest Friendly Company

Ref: 5404/23-24/0020 May 25, 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 Audited Financial Results for the quarter & financial year ended March 31, 2023

Dear Sir/Madam,

With reference to our letter no. 5404/23-24/0009 dated 19th May, 2023 regarding intimation of the Q4 FY 23 Earnings Webinar, post declaration of the Audited Financial Results for the quarter and financial year ended 31st March 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: 2023.05.25 12:29:58 +05'30'

KOMAL DHRUV
Company Secretary

Encl: a/a

The Forest Friendly Company

Duroply Industries Limited

Q4 FY23 & FY23 Earnings Webinar

Mr. Sudeep Chitlangia, MD

Mr. Akhilesh Chitlangia, ED and COO

Mr. Pawan Kumar Verma, CFO

SKP SECURITIES LTD
creating prosperity

Navin B. Agrawal – Head, Institutional Equities

Monday, May 22, 2023

- **Mr. Navin B. Agrawal – Head Institutional Equities, SKP Securities:**
- Good day, ladies and gentlemen. It is a pleasure to welcome you on behalf of Duroply Industries Limited and SKP Securities to Duroply Industries Q4 FY23 and FY23 earnings webinar.
- We have with us:
- Mr. Sudeep Chitlangia, MD
- Mr. Akhilesh Chitlangia, ED and COO
- Mr. Pawan Kumar Verma, CFO
- This seminar is being recorded for compliance reasons and during the discussions there maybe certain forward-looking statements which must be viewed in conjunction with the risks that the company faces.
- We will have the opening remarks from Mr. Chitlangia and a presentation by the management followed by a Q&A session.
- Thank you, and over to you, Sudeepji.
- **Mr. Sudeep Chitlangia:**
- Thank you, Navin.
- Good morning to everyone and thank you for attending our earnings webinar for Q4 FY23 and for the year FY23.
- I am happy to inform that during FY23 Duroply has increased its revenue by over 58% and returned to significant profitability with a PBT of approximately 8 crores. Duroply founded in 1957 and over the last 66 plus years has built up a good brand especially strong in the north. Duroply, rather Duro is recognized across India for its high standard of quality that has been maintained over the years. We are present across the country and expanding with a renewed focus in the west and southern markets. Last few years have been extremely challenging for the company extenuated by the Covid led disruption. Last year we raised Rs. 28 crores in 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 meet our working capital challenges setting the company on a growth path some of which you would have already seen, perhaps you will see more growth going forward.
- I take this opportunity to express my gratitude towards our investors who have showed faith in us and the potential of our brand. I would also like to thank our customers, distributors, vendors and our employees who despite all challenges have stayed with us over the years, without them this turnaround would not have been possible. At Duroply the next generation of promoters have added significant energy and exuberance in implementing new initiatives for this turnaround.
- Akhilesh Chitlangia who is the COO and ED is responsible for overall operations. As VP-Manufacturing, Abhishek Chitlangia, is responsible for the manufacturing and supply chain.
- I now invite Mr. Akhilesh Chitlangia to share the various initiatives that we have implemented and its impact on the business. Thank you.

- **Mr. Akhilesh Chitlangia:**
- Thank you, Sudeepji. And thank you to all participants who have joined us this morning.
- As mentioned, we have had a significant increase in our revenue, an increase of 58% closing the year at 302 crores as against 190 crores in FY22. In addition, our revenue from own manufacturing in Rajkot has increased by 31% to 207 crores and revenue from contract manufacturing has increased by 220% to 95 crores. Overall, this has resulted in our EBITDA margins increasing from 3.6% for FY22 to 5.9% in FY23, at the same time we also increased our marketing spend from 1.6% of sales in FY22 which is approximately 3 crores to 4.1% of sales in the last financial year which is approximately 12.5 crores. Overall, we are satisfied with our performance in all parameters. The journey for us has just begun and there is a long way to go.
- I would now like to allude to some of the major changes that we have taken up on in the past year.
- First has been the infusion of equity funds, as already stated this was to meet working capital challenges. Some benefits are already visible, more will be visible during FY24.
- Number two, increasing our distribution spread. During FY23, we appointed over 100 new dealers/distributors across India. We are proud to say that we are now present in nearly all states across India.
- Number three, transforming towards a marketing and a brand driven company. As mentioned earlier, we have significantly increased our spends on the brand. A large part of the spend has been on the influencer incentives and engagement, visibility drive through in-shop and out-shop branding, limited radio ads in select markets and digital marketing.
- Number four, dynamic management - our team is very young at the plant as well as in sales who are now driving a lot of our initiatives forward.
- Number five, de-bottlenecking our supply chain. We increased output from our plant by sorting out working capital challenges and did small capital expenditure that has further allowed us to increase our output from Rajkot. In addition, with better payment terms we are able to source material marginally cheaper and on time.
- Number six, value added innovation, during 2022 we became the first company in India to launch 10 feet plywood establishing ourselves as a market leader on innovation. While the demand for this was small and niche it gives us a tag of true product innovators. In addition, we launched Duro TV - a YouTube channel to educate customers on buying the right plywood. On this account I have published my own book - Smart Plywood Buying Guide and a copy of that book is available to be downloaded for free at www.plywoodguide.com.
- The seventh initiative that we took was to leverage our brand strength. We entered the lower price segment with our second brand, Tower, across India. This segment contributed to over 45 crores of revenue at a growth almost 7 times that of the previous year. It is only because of the strength in Duro that we were able to ramp up sales of our Tower segments so quickly.
- Number eight, our focus has been on an asset light model. We developed contract manufacturers with robust quality control program that has allowed to significantly increase our product supplies in the market. In addition, as plywood distribution has large freight costs we have been able to offset this large cost by developing our contract manufacturers regionally. All of these

initiatives have contributed to our growth and turnaround. As mentioned, this journey for us has just begun and there is a long way to go.

- I now ask our CFO, Mr. Pawan Kumar Verma, to take us through some of the improvements in the key financials from the previous year.

- **Mr. Pawan Kumar Verma:**

- Thank you.

- Good morning to everyone.

- Let me take you through some of the key financials from the last year. Our overall COGS has increased from 62.5% in FY22 to 64.8% in FY23 and upto 65.7% in Q4. This is largely on account of increased business from contract manufacturing which contributes approximately 24% margin as compared to 40% from the inhouse manufacturer group. Also, we have significant inflationary pressures on other raw material costs and management of the same remains a critical challenge. Our employee cost shows a reduction from 13.5% to 9.5% for FY23. Our debtor days has decreased from 38 days of sales to 35 days of sales. Our inventory days has decreased from 195 days of consumption to 134 days of consumption. Our creditor days also has decreased from 175 days of consumption to 119 days of consumption. With all the reduction we have been able to reduce our cash consumption cycle from 59 days to 49 days. Our overall debt to the company has substantially decreased and that has resulted in a lower interest outflow reduction in terms by around 1.8 crore rupees, with 21% reduction. Our inflation cost was a percentage stood at 2.2% of sales as compared to 4.5% in FY22. Our ROCE has also improved significantly from 2% in FY22 to 12% plus in FY23.

- **Mr. Akhilesh Chitlangia:**

- Thank you, Pawan.

- The journey has only just begun for us. We are confident of better numbers in FY24 in terms of top line margins and bottom line. And we would like to now open the floor for any questions.

- **Mr. Navin B. Agrawal:**

- Thank you, Akhilesh.

- Anyone wishing to ask a question request you to raise a hand, we will unmute you and take your question. We have a question from Zaki Nasir. Zaki, please unmute yourself and go ahead.

- **Mr. Zaki Nasir:**

- Sudeepji, good morning, Akhilesh, and team Duro, congratulations for a wonderful set of numbers in Q4.

- Sir, could we assume that going forward next 8 quarters will be a reflection of what happened in Q4, and could we assume that the company will have atleast not a growth like between '22 and '23, but at least a 20% growth in top line and maintenance of the EBITDA margins.

- **Mr. Akhilesh Chitlangia:**

- Thank you, Zakiji. Yes, growth that we achieved in '23 will be very difficult to emulate year-on-year. We are looking at growth of 20 odd percent in this current financial year. We also should see a small improvement in our EBITDA margins. This year we have increased our marketing spend to 4.1% of sales which is slightly on the higher side, and we would like to maintain at least that much on our brand spend even this year. Yes, a small marginal improvement on EBITDA margin should also be visible.

- **Mr. Zaki Nasir:**
- So, should we assume 8-9%, Akhilesh.
- **Mr. Akhilesh Chitlangia:**
- Zakiji, that's going to be slightly on the higher side, we are currently aiming in the range of 6.5% for this financial year. As the economies of scale builds and with scale we can improve on our marketing spends, with that we should be able to get to 8% but that will take some time.
- there is a lot of disturbance.
- **Mr. Navin B. Agrawal:**
- Zaki, there is a lot of disturbance in your audio, you are not audible.
- **Mr. Zaki Nasir – Q&A:**
- Is it okay now? Sir, your focus on the south market, south and west.
- **Mr. Akhilesh Chitlangia:**
- Yes. North India has been a very strong contributor to the organization, almost nearly 2/3rds of our revenue comes from north. But, you know, the vision of the company is to be strong across India, the type of infrastructure spend and wealth creation that is happening in the west and south of the country we are quite ambitious on our growth on these two zones. So that's the reason we have chosen to grow on west and south India.
- **Mr. Zaki Nasir:**
- And what would be the debt levels in the company, sir, the latest updated debt levels.
- **Mr. Akhilesh Chitlangia:**
- Pawan, can you reflect on that?
- **Mr. Pawan Kumar Verma:**
- Can you please repeat the question?
- **Mr. Zaki Nasir:**
- What would be the debt levels, sir, working capital and long term as of 31 March?
- **Mr. Pawan Kumar Verma:**
- As of 31st March 2024 you are saying?
- **Mr. Akhilesh Chitlangia:**
- '23, which has closed just now.

- **Mr. Pawan Kumar Verma:**
- Debt levels right now is 35.66 lakhs borrowings ….
- **Mr. Zaki Nasir:**
- Okay, sir, thank you.
- **Mr. Navin B. Agrawal:**
- Zaki, if you can please join the queue, thank you.
- We have a question from Harshit Toshniwal. Harshit, please go ahead.
- **Mr. Harshit Toshniwal:**
- HI, Akhilesh, hi team. Firstly, best of luck I think it is beginning of the journey, clearly the numbers are a reflection of the increasing effort. Just one question actually this is more with regards to some clarification on the contingent liability which we are having. The number when we look at the last annual report is around 70 crores, and that number has been there on our balance sheet for quite some time. So, I just wanted to understand from an investor point of view how should we read that 70 crores because that number looks very large compared to our size today, but I want to understand that is it just a claim which it is very regular tax dispute which we don't have to in the end pay or how should we read that 70 crore contingent liability.
- **Mr. Akhilesh Chitlangia:**
- Thank you, Harshit for that question, I will ask Sudeepji to give an answer on that.
- **Mr. Sudeep Chitlangia:**
- Thank you, Harshit. Major part of this 70 crore is an erroneous demand raised by the income tax department which happened during the Covid period, and while we have been disputing it, the response from the department has not been positive towards so far towards accepting our contention. In the meantime, we have also taken recourse to the high court for granting us immediate relief which has been done by way of staying any recovery proceedings till such time the matter is resolved. So, while we await the department to respond to whatever we have reverted back with, till such time they don't do it, it is something which is going to remain there for a while. We are confident that the high court will give us a favorable judgment as the basic principle of natural justice has not been followed by the department in granting us any representation.
- **Mr. Harshit Toshniwal:**
- So I got the part, what exactly this liability is related to? Is it something related to because that is going to help us understand in greater comfort on the possibility of the outcome.
- **Mr. Sudeep Chitlangia:**
- Sure, so what they have done is basically they have raised a demand for tax of almost 55 crores on the company by adding back almost 95 crores of expenditure as an unexplained expenditure, I mean they have disallowed expenditure of almost 95 crores.

- **Mr. Harshit Toshniwal:**
- Relating to a previous year, I mean.
- **Mr. Sudeep Chitlangia:**
- Yeah, yeah, relating to a previous so in a company where the revenue turnover in a manufacturing company is almost 200 crores to say that 50% of the expenditure is disallowed, you can understand how erroneous that demand can be.
- **Mr. Harshit Toshniwal:**
- Understand, got it. Fair point. And the second one, sir, is more on the fact of the premiumization part, I think as we go through our annual report and the way Akhilesh has mapped out the strategy we gradually want to increase the share of premium products. And I think we are still right now above the industry average. So a large part of our portfolio comes from that portfolio. So, wanted to get some colour on how will it help in overall realization revenue growth and more importantly margin improvement over time, if you can guide some kind of mix which you can target over a period of time.
- **Mr. Akhilesh Chitlangia:**
- So, Harshit, I will take that. So, Harshit our premium segment last year contributed approximately 70% of our total sales. We don't expect the premium segment to grow as fast as what I alluded to earlier was the Tower segment. So over a period of time the premium will grow but not at the same speed as the lower priced segment. Having said that the lower priced segment product is coming through contract manufacturing where we enjoy a reasonable margin, so overall it will be positive for the company, as the top line grows our margins will also continue to increase.
- **Mr. Harshit Toshniwal:**
- Got it. best of luck, sir, I think definitely a long journey ahead and very promising first generation, so we hope for the best, thanks a lot.
- **Mr. Akhilesh Chitlangia:**
- Thank you.
- **Mr. Navin B. Agrawal:**
- Thank you, Harshit. We have a question from Utkarsh Somaya. Utkarsh, please unmute yourself and go ahead.
- **Mr. Utkarsh Somaya:**
- Thank you for the opportunity, so I just have a few questions. If I heard it correctly you outsource a certain part of your production, right.
- **Mr. Akhilesh Chitlangia:**
- Right.

- **Mr. Utkarsh Somaya:**
- So what percentage would that be out of your total sales.
- **Mr. Akhilesh Chitlangia:**
- Contract manufacturing is nearly a third, in the last year it was nearly one third of our top line.
- **Mr. Utkarsh Somaya:**
- And currently your balance sheet seems to have a gross block of 102 crores if I remember.
- **Mr. Akhilesh Chitlangia:**
- Right.
- **Mr. Utkarsh Somaya:**
- Is this your own manufacturing plant?
- **Mr. Akhilesh Chitlangia:**
- Yes, this is our own manufacturing plant in Rajkot.
- **Mr. Utkarsh Somaya:**
- What asset terms can you do on this gross block.
- **Mr. Akhilesh Chitlangia:**
- The large of the gross block came from the revaluation of the land in Rajkot so that's one part of it. Second is….
- **Mr. Utkarsh Somaya:**
- How much was it?
- **Mr. Akhilesh Chitlangia:**
- Pawan, can you just recheck that number, the land I think was valued at about 85 or 87 crores. How much?
- **Mr. Pawan Kumar Verma:**
- 83.
- **Mr. Akhilesh Chitlangia:**
- 83 crores, Utkarsh. And this year we did a turnover of approximately 207 crores out of Rajkot, we are looking at about 12 to 13% growth in the current financial year.
- **Mr. Utkarsh Somaya:**
- So, out of 302 to 207 was gross?
- **Mr. Akhilesh Chitlangia:**
- Yes.

- **Mr. Utkarsh Somaya:**
- And what utilization were you operating?
- **Mr. Akhilesh Chitlangia:**
- This was approximately 80%.
- **Mr. Utkarsh Somaya:**
- And do you plan to increase this or you only resort to contract manufacturers for further expansion.
- **Mr. Akhilesh Chitlangia:**
- So, we are doing some balancing equipment capital expenditure, so there will be a growth in the revenue that we can get out of Rajkot. But a large part of growth will come from our contract manufacturers. We are looking at 10 to 12% growth from Rajkot.
- **Mr. Utkarsh Somaya:**
- And how much is the capex you are planning in Rajkot?
- **Mr. Akhilesh Chitlangia:**
- Rajkot, actually the thing is our industry is very low on capital expenditure, so the capital expenditure amount isn't high, it is in the range of 3 to 4 crore rupees.
- **Mr. Utkarsh Somaya:**
- Okay, so currently you are at 80%, will that be optimum you can operate at or you can go to 90-100?
- **Mr. Akhilesh Chitlangia:**
- We can go upto 90% but we also be looking with balancing our capacity to increase further so again come back to 80 odd percent.
- **Mr. Utkarsh Somaya:**
- Okay, so you will be increasing by around 20%, is that right?
- **Mr. Akhilesh Chitlangia:**
- 10% would be the volume increase capable, and 10% would be the actual that increases, so the gap would still remain at 80%.
- **Mr. Utkarsh Somaya:**
- Okay, and what is the margin that is between inhouse production and outsourcing?
- **Mr. Akhilesh Chitlangia:**
- Inhouse we get about approximately 40% gross margin and on contract manufacturing we get about 24%.

- **Mr. Utkarsh Somaya:**
- Okay. And just one more question regarding I was just looking at your financials since the last 10 years, your growth has been quite tepid. So just to understand why is that and what is going to change going forward, other than the brand spend, I mean, was the management dormant and didn't want to grow, I am trying to understand what went down.
- **Mr. Akhilesh Chitlangia:**
- That's a very valid question and I can see where that's coming from. What happened in the last decade was we actually had another plant in the north east in Assam, and we restarted that unit in the late 2000 to early 2010. It was doing okay but we ran into labour and raw material challenges there, and that took a long time for us to resolve. As a result of that the financial conditions of the company also deteriorated resulting in significant working capital challenges. Therefore, the company desperately needed working capital and we were losing market share to all our competitors. So, during Covid and the boom that came post Covid we were able to arise equity that allowed us to unlock the potential what the brand had. I think the decision of being in the north east was probably strategically we made an error there. Having said that we pivoted and are focusing on our own manufacturing in Rajkot as well as growing the contract manufacturing for the time being. I hope that answers your question.
- **Mr. Utkarsh Somaya:**
- So, that plant is no more with the company. It is sold?
- **Mr. Akhilesh Chitlangia:**
- Yeah, no more, we hiked it off a couple of years ago, it was along with our tea processing unit also, so the tea and the plywood was being made in the same plant and both have been hiked off.
- **Mr. Utkarsh Somaya:**
- If you would allow me a few more questions.
- **Mr. Navin B. Agrawal:**
- Utkarsh, if you can please join the queue, because there is a long list of participants.
- **Mr. Utkarsh Somaya:**
- Thank you so much.
- **Mr. Akhilesh Chitlangia:**
- Thank you.
- **Mr. Navin B. Agrawal:**
- Thank you, Utkarsh. The next question is from Hena Vora, Hena please go ahead.
- **Ms. Hena Vora:**
- Thank you so much for the opportunity. The first question that I want to ask is sequentially what I saw is your raw material sort of remained stable while you have seen good revenue growth. So,

I wanted to get your perspective on the ongoing timber inflation that has been impacting all plywood players.

- **Mr. Akhilesh Chitlangia:**
- Yes, Henaji, you are absolutely right. Timber inflationary cost has been a big challenge and will continue to be a challenge for another year or two years at the very least for our industry. The reason we have done better in terms of asset utilization or current asset utilization has been on account of couple of initiatives that we took in the company. With fund infusion we were able to get all the critical raw material on time in the plant. Previously what was happening with our working capital challenges, sometimes raw material A was available but B wasn't so it could not go into production. And there was always a significant mismatch. That has been the biggest change that has happened and it has given confidence for suppliers to continue to supply material to us on time. We also implemented a couple of inventory management systems internally which has allowed for a lot of you know slow moving stock to be rationalized in the last financial year. So, you know, on account of both of those things our raw material management has significantly improved.
- **Ms. Hena Vora:**
- Just a follow up on that, have we taken any price increase during last year, just to combat some timber….
- **Mr. Akhilesh Chitlangia:**
- Yes, we have, we have seen approximately 3.5% price hike but that's nowhere to compensate for the type of raw material cost increase that we have seen. So as I said this will remain a challenge for our entire industry.
- **Ms. Hena Vora:**
- Do you expect to be able to take any more price increases or that wouldn't be on the table in future.
- **Mr. Akhilesh Chitlangia:**
- It is too early to say we will just have to see how the market dynamics move. We will just keep an eye on it, if we see an opportunity to increase the prices, be rest assured we will not be letting go of that.
- **Ms. Hena Vora:**
- Sure. And another thing would be we have been seeing increase in most plywood players enter into adjacent MDF and particle board and laminate and such things, so are we looking to enter any of those adjacencies basically.
- **Mr. Akhilesh Chitlangia:**
- Henaji, in due course I think right now our focus is strictly going to be the plywood business till it reaches a scale where it generates enough cashflow and profits that can sustain the requirement of the plywood business and fund any capacity expansion into a different product line. So, till that time our focus is going to be strictly on the plywood business.

- **Ms. Hena Vora:**
- So, just one thing, so how would the margin improve that we are expecting, one would be scale of course as you grow that would contribute margins, what else will be contributing to the margin basically.
- **Mr. Akhilesh Chitlangia:**
- Right, Henaji, we are doing some capital expenditure in our plant balancing as well as to reduce some of our operating costs and do some automation to bring down our operating costs. Also, as the company scales improve, we will be able procure on the contract manufacturing side we should be able to procure better price terms relative to what's available in the industry. So, on those two fronts I think there should be some margin improvement but this will take time. Right now our margin improvement should come more from the volume growth side.
- **Ms. Hena Vora:**
- Thank you, sir.
- **Mr. Akhilesh Chitlangia:**
- Thank you.
- **Mr. Navin B. Agrawal:**
- Thank you, Hena. We have a question is from Porinju Veliyath, Porinju, please go ahead.
- **Mr. Porinju:**
- Good morning, guys. Akhilesh, you are doing a wonderful job, very, very happy to see the numbers and I think Duro is moving into a different growth orbit and with its legacy and such a recall value about this Duro. Anyway, it is exciting to understand you are talking about the 20% kind of growth possibilities. So, of course, I would like to know industry could be around 6.5% in my understanding maybe it can improve going forward. So, we are expecting a much fast growth than the industry average. What is the main strategy how you are going to achieve this, Akhilesh.
- **Mr. Akhilesh Chitlangia – ED and COO, Duroply Industries:**
- Thank you, sir. As you said yes, you are right industry is expected to grow at 7-8% and we are looking at 20% growth. A couple of things that we have been doing and have been giving us good results is that we have a carpenter contractor loyalty program. The entire program is run digitally through a mobile app and we are getting very, very good results on that. Second, we added 100 new channel partners in the last financial year. We are going to be adding a lot more in this financial year. So, these channel partners when they come on board they take time to come upto speed with their sales with us. So, a lot of handholding and nurturing of these channel partners we are doing. This will significantly help us increase sales. Third, is the Tower segment of the lower priced product segment that we have launched. This will be a significant growth driver over the next 3-4 years. As the income levels in India continue to increase there will be a significant shift from the unorganized sector to the organized sector. And there is a vacuum in the market for a third large player to emerge and that's what we are trying to basically fulfil. Our relationship with our channel has been very, very strong, a large part of our dealer/distributors are associated with us for 30-40 years, even the ones that have joined us recently have been in fact promoting the brand, in fact calling us up and telling that please make this one a dealer in

their own city. So, that is the level of relationship that we have built with our channel and we ensure that they get very good ROIs compared to the competition. So, a factor of all these things will help us grow. Last is digital marketing, we are doing some very new innovative initiatives on digital marketing especially to engage with influencer architects and interior designers. That I will, you know it is in the very primary stage, it works out very well, I will be happy to share more on that in the future calls. So, there are a whole host of new initiatives that are happening that I am sure will give us a growth that we are looking at.

- **Mr. Porinju:**
- Great, thank you, Akhilesh. And I would like also thank Mr. Navin B. Agrawal, the SKP guys for taking it up, it is a micro cap company today with potential to become a small cap and a mid cap company eventually, thank you so much.
- **Mr. Navin B. Agrawal:**
- Thank you, Porinju. We have a question from Jagbeer, can you please go ahead.
- **Mr. Jagbeer:**
- Thanks for the opportunity. So, my question is related to the B2C sales, how much is the B2C sales today?
- **Mr. Akhilesh Chitlangia:**
- Jagbeerji, B2C would be direct to consumer, for us it is negligible. So, over 90% of our sales comes through channel and then we have some large institutions who buy directly from us but that is more for commercial and for their own consumption like making furniture or cooling towers etc. B2C is virtually zero for us, we don't sell directly to consumers.
- **Mr. Jagbeer:**
- So, we have any plans to increase the B2C because Century and Greenply being a majority in the B2C segment and margins are higher over there.
- **Mr. Akhilesh Chitlangia:**
- What I meant by B2C is that our products sells via dealers and distributors, 90% of our sales goes through to home buyer segment but we don't directly bill to the home buyer. So, 90% of sales is actually in the home buyer segment. I think that’s what you meant, Jagbeerji, I am not sure.
- **Mr. Jagbeer:**
- Yes. So my second question is related to the EBITDA margins because we are selling more than 70% in the premium category and I think Century and Greenply are making EBITDA margins around 12 to 13% more than 10%. We are making 5.5% of around 6%. So, what are the plans to take it to the level of margins of competitors.
- **Mr. Akhilesh Chitlangia:**
- So, Jagbeerji, a couple of things. A, we have to see where we are coming from, for many many years our margins EBITDA margins were very, very low. So, also we are spending more as a percentage of sales as compared to probably one of the bigger players. So, there is a little bit of leeway there for us, especially in the last financial year. Second is because they have grown to

such scale over the years their ability on pricing power is slightly better than ours that gives them a couple of percentage point advantage. And thirdly because of our weak financials our cost of procurement of material is slightly on the higher side. As we grow we should be achieving economies of scale with that will come better payment and pricing terms and then as we spend on our marketing which we have started doing we should be able to price ourselves better especially in south, west and east of the country where we sell as discount to the large two players. In north India we are probably at par or slightly at a premium in some small pockets as well. So, a combination of all this over the next few years will probably get us closer to their EBITDA margins, but it will take some time.

- **Mr. Jagbeer:**
- The next question is related to raw material. The Greenply and Century has some timber plants outside India I think Bahrain and other countries, so how are we sourcing the raw materials and what are our plants related to raw material.
- **Mr. Akhilesh Chitlangia:**
- Jagbeerji, you are right, so Century and Geenply have significant exposure in foreign countries for sourcing of timber. So, that again gives them an advantage on their raw material cost which we don't enjoy right now. We are currently sourcing our raw material as much as possible locally through either farmers or people who process the timber in India or through traders who import some of the raw material that needs to be imported and therefore there's some money left on the table there as well. Again, as the financial position of the company improves and then we will take a call on strategically how to go about taking care of this challenge.
- **Mr. Jagbeer:**
- And last question, do the promoters has only this company or any private company promoters have?
- **Mr. Akhilesh Chitlangia:**
- So, this is the main company for the promoters.
- **Mr. Jagbeer:**
- But any other company, small company in the related business?
- **Mr. Akhilesh Chitlangia:**
- Not really.
- **Mr. Jagbeer:**
- Okay. Thanks a lot.
- **Mr. Akhilesh Chitlangia:**
- Yeah.

- **Mr. Navin B. Agrawal:**

- Thank you, Jagbeer. We have a question from Hiten Boricha. Hiten, please go ahead.

- **Mr. Hiten Boricha:**

- Yeah. Good morning, Sir, and thank you for the opportunity. So, I have a list of questions but as of now I'll stick for two or three. So, first question is on the advertisement expense. We are going to spend around Rs.14Cr-Rs.15Cr this year on advertising.

- **Mr. Akhilesh Chitlangia:**

- Yes.

- **Mr. Hiten Boricha:**

- So, just wanted to understand where are we going to spend this kind of huge amount of advertisement experience? What I mean is, what I want to understand is are we going to spend this…(Background noise)

- **Mr. Akhilesh Chitlangia.:**

- Naveen ji, can we mute Jagbeer Sir, please? Yeah, thank you. Yes, Hiten ji. Please, carry on.

- **Mr. Hiten Boricha:**

- Should I continue, Sir? Yeah.

- **Mr. Akhilesh Chitlangia:**

- Yes.

- **Mr. Hiten Boricha:**

- Yeah. So, what I want to understand is where are we going to spend this? Are we going to spend this on new geographies or are we going to spend on competitive market, we are looking to expand outside our current geography? So, just wanted to understand if you can give some light or color on this.

- **Mr. Akhilesh Chitlangia:**

- Hiten ji, a very valid question. So, a large part of our expense comes from BTL activities. We don't do ATL at all or very limited ATL, so in terms of where we will be spending this, it will go towards trade incentives, influencer incentives and engagement, visibility drives. So, ensuring dealer boards, dealer signatures, wall paintings, et cetera in markets are visible and a little bit on digital advertisements.

- In terms of geography, I alluded that we're looking at strong growth from west and south, so a significant amount will be spent in the western and southern part of the country but we will also have to spend in the northern part of the country which is our… what do I say? It's is our forte. So, it'll be a mix.

- Again, for me to say now how it will pan out for the rest of the year is going to be a little difficult. We remain very, very tactical and agile and as soon as we see opportunity where there's some movement happening we back it up with some marketing spends. So, that's how it's going to be. Yeah.

- **Mr. Hiten Boricha:**

- Yeah. Okay-okay. Great explanation, Sir. And my second question is on tax rates, Sir. What would be our tax rate because currently it's around 30%, I assume. We have any accumulated losses in last few years? Is our tax rate so high?

- **Mr. Akhilesh Chitlangia:**

- Hiten ji, you're absolutely right. This is on account of accumulated losses, so there's not been any cash outflow. If you see our P&L statement, the tax amount has come via deferred tax reversal. So, there is not going to be any cash outflow for the performance of last financial year.

- Pawan, can you just allude to the amount of carry forward losses that we are carrying?

- **Mr. Pawan Kumar Verma:**

- It is around Rs.25 crores-Rs.27 crores.

- **Mr. Akhilesh Chitlangia:**

- So, Hiten ji, Rs.27 crores of carry forward losses will be there which will offset our tax outflow for the next couple of years at least.

- **Mr. Hiten Boricha:**

- So, no real cash outflow for next two years, right?

- **Mr. Akhilesh Chitlangia:**

- We hope not.

- **Mr. Hiten Boricha:**

- Okay-okay. And, Sir, my last question is you have guided for around 20% growth, so what will be the value growth and the volume growth, Sir?

- **Mr. Akhilesh Chitlangia:**
- So, we're looking at about 18%-20% value growth. Volume growth would be about 22%. This is because of the product mix change as the lower price segment increases, of course, it comes at a lower value. So, 18% to…
- **Mr. Hiten Boricha:**
- So, 20% value and?
- **Mr. Akhilesh Chitlangia:**
- About 22%-23% volume.
- **Mr. Hiten Boricha:**
- Okay. Sorry, Sir, but we are looking total growth of 20% right?
- **Mr. Akhilesh Chitlangia:**
- Yeah, as I said, 18%-20%. In between 20%-18% our indication would be there.
- **Mr. Hiten Boricha:**
- Okay-okay.
- **Mr. Akhilesh Chitlangia:**
- Yeah, 18%-20%. Yeah.
- **Mr. Hiten Boricha:**
- Okay and just a small feedback, Sir. If you can share the volume number, the realization number and some more insights about our business in the next quarter in the PPT, Sir, that would be really helpful to understand the company.
- **Mr. Akhilesh Chitlangia:**
- Sure, Sir, we'll do that from next time.
- **Mr. Hiten Boricha:**
- Yeah. Thank you so much, Sir. I'll get back in the queue.
- **Mr. Akhilesh Chitlangia:**
- Thank you.

- **Mr. Navin B. Agrawal:**

- Thank you, Hiten. We have a question from Aditya Chug. Aditya, please go ahead.

- **Mr. Aditya Chug:**

- Hi. Good morning, everyone. First of all, congratulations on the great set of numbers. My question is regarding the Duro brand. So, it it's a very old and recognizable brand and it also commands premium in some of the territories where Duro plywood is selling, any strategies around scaling up the business by leveraging the brand and say maybe getting into other business segments maybe relating to building materials or other segments say which are synergistic to the current operation of the company? Could be bath fittings or hardware products like door handles, locks, et cetera.

- **Mr. Akhilesh Chitlangia:**

- So, Aditya ji, thank you very much. It's a very valid question. So, our current focus remains on scaling our existing business. Having said that, the brand is very, very strong and we have a very large and loyal distribution network that can be leveraged for allied products but, you know, that would also require significant management focus going towards a new initiative which for the next 12 months at least we would not like to do. We would like to first scale and, you know, establish the operations where it becomes a cash generating machine for the organization and then the management bandwidth can be taken to other initiatives. But till that time, the temptation is there but we're not looking to explore those opportunities at this point of time.

- **Mr. Aditya Chug:**

- Right. But products like wooden doors could be the low hanging fruits which the company could start getting into the business.

- **Mr. Akhilesh Chitlangia:**

- Right. So, we do manufacture flush doors as part of a product portfolio. It's a very small part of our portfolio at this point of time and our focus is on growing this segment and that way anyway is working on. So, yeah, and there's a lot of scope on the door segment. So, over the next couple of years we hope that the door segment for us becomes a big contributor to the company's growth.

- **Mr. Aditya Chug:**

- Right. Thanks a lot. Best of luck.

- **Mr. Akhilesh Chitlangia:**

- Thank you so much.

- **Mr. Navin B. Agrawal:**

- Thank you, Aditya. We have a question from Tarun Rathi. Tarun, please go ahead.

- **Mr. Tarun Rathi:**

- Yeah. Congratulations to team Duro for a wonderful set of numbers. Am I audible?

- **Mr. Akhilesh Chitlangia:**

- Yes.

- **Mr. Navin B. Agrawal:**

- Yes, Tarun, please go ahead.

- **Mr. Tarun Rathi:**

- Just one question. We are entering the West and the South, so which segment is performing more over there -the premium, the Rajkot factory produced products or the commercial Tower product?

- **Mr. Akhilesh Chitlangia:**

- Right. So, Tarun ji, thank you. Well, we're not entering West and South, we've been present there. We're looking to grow more. Currently West and South contributes over 28% of our revenue in FY23. Our focus always to enter market remains with the premium segment because that's what the brand is known for. Once the premium segment establishes itself the lower price, commercial product automatically starts to see an uptick and so we are moving ahead with that strategy. Western India, Tower was introduced along with North India last year and South India we just did it towards Q4 of last financial year. So, we just have to see how both the markets take up but our focus is to grow both the premium product as well as Tower. Of course, Tower is easier in acceptance in the market because of its lower price point. For dealers, distributor, it becomes much easier to stock it. I hope that gives you some clarity.

- **Mr. Tarun Rathi:**

- And one more thing, what about the freight cost? What are our plans to reduce the freight cost?

- **Mr. Akhilesh Chitlangia:**

- Tarun ji, already this year our freight cost…Pawan, can you just confirm the freight cost? I think it's below 4% already this year.

- **Mr. Pawan Kumar Verma:**

- Yeah. It is 3.5% this year.

- **Mr. Akhilesh Chitlangia:**

- Yeah. Tarun ji, our freight cost has already come down to 3.5% of sales. This is because of the regional contract manufacturing that we set up, you know. So, a large part of South India's requirement is being fed out of from our contract manufacturers in the southern part of the country. So, our entire requirement for a Tower segment in the North part of the country comes from contract manufacturers in the North. So, we've been able to significantly optimize our freight expenditure. There is still some scope on that and we're working on those fronts to get it further down.

- **Mr. Tarun Rathi:**
- Any plans to monetize the surplus land in Rajkot?
- **Mr. Akhilesh Chitlangia:**
- Not really, Tarun ji. No plans as of now.
- **Mr. Tarun Rathi:**
- Wish you good luck.
- **Mr. Akhilesh Chitlangia:**
- Thank you.
- **Mr. Navin B. Agrawal:**
- Thank you, Tarun. The next question is from Forum Maki. Forum, please go ahead.
- **Ms. Forum Maki:**
- Hello, Sir. Just a few quick questions. What would be your capacity in the plywood division?
- **Mr. Akhilesh Chitlangia:**
- In terms of volume?
- **Ms. Forum Maki:**
- Yeah.
- **Mr. Akhilesh Chitlangia:**
- So, our Rajkot plant has a 75 lakh square meter production for the year.
- **Ms. Forum Maki:**
- And what would be our utilization?
- **Mr. Akhilesh Chitlangia:**
- I think I alluded to this earlier. Yeah, it was about 80%; just north of 80%.

- **Ms. Forum Maki:**
- And this is just the premium segment, right?
- **Mr. Akhilesh Chitlangia:**
- A large…95% of the production Rajkot is the premium segment.
- **Ms. Forum Maki:**
- And what would be the peak utilization that we could do?
- **Mr. Akhilesh Chitlangia:**
- Close to 90%.
- **Ms. Forum Maki:**
- Okay. So, are we planning any CapEx in this segment?
- **Mr. Akhilesh Chitlangia:**
- Yeah, I had answered this earlier. We are doing some balancing which will increase our Rajkot capacity over the next 12 months marginally; 8% to 10%. 10% capacity expansion but then that would also result in production going up and the utilization remaining in the 80%-85% range.
- **Ms. Forum Maki:**
- Got it, got it. And, Sir, how is the demand scenario right now considering the rising interest rates and…? So, how are you seeing it in the future?
- **Mr. Akhilesh Chitlangia:**
- Right. So, in terms of any changes that the RBI makes on the monetary policy, our industry is kind of a laggard in that sense. We typically see challenges of that 3-4 quarters later. So, I sense there is a little bit of a challenge in the market. (Background noise). Can you mute Tarun ji? I think…
- **Mr. Navin B. Agrawal:**
- I'll just do that.
- **Mr. Akhilesh Chitlangia:**
- Yeah. Sorry. So, there are some challenges on the demand side but having said that, you know, plywood industry has been surprisingly doing very well and while the challenges would be more because of tightness in the cashflow cycle, I really don't see any major drop in demand in our segment. You know, the next 5-10 years the number of housing that needs to be made and as income levels go up, people do tend to prefer using plywood as their preferred choice of

material. So, there could be small bumps on the road, I would say it that way, but in the foreseeable future I don't see much challenge on the demand side.

- **Ms. Forum Maki:**

- And any threat from MDF?

- **Mr. Akhilesh Chitlangia:**

- There's always a threat from new products entering the market but, I think, the market for the MDF has been maturing. I think the users, the carpenter, contractors have understood where it's okay to use MDF or HDHMR and where they need to use plywood. If you look at the numbers that have come out recently, the MDF numbers have not been very, very promising in terms of volume growth but Plywood numbers have done extremely well. So, I think, the market is adjusting, the people who use or recommend the usage of MDF and Plywood have started understanding what utilization is possible with both products and that’s a very, very positive news for the plywood industry.

- **Ms. Forum Maki:**

- Got it. And, Sir, we are saying that we are doing about 20%-25% sales in West and South, right?

- **Mr. Akhilesh Chitlangia:**

- West and South combined stood at 28% for us.

- **Ms. Forum Maki:**

- 28%?

- **Mr. Akhilesh Chitlangia:**

- Yeah.

- **Ms. Forum Maki:**

- So, is this completely premium or does this also include the lower price segment?

- **Mr. Akhilesh Chitlangia:**

- Large part of it is premium; a significantly large part. South is 95% premium for us. As I said, we entered the lower segment only, you know, in Q4 and West is also about 80% would be premium and 20% would be on the lower price.

- **Ms. Forum Maki:**

- So, we would be catering to that demand with our own manufacturing, right?

- **Mr. Akhilesh Chitlangia:**
- Yeah, Western India, we cater to the premium segment through our own manufacturing. The lower price segment is mainly through contract manufacturers.
- South India, the premium as well as the lower end… Sorry, in South India, the premium is partially met by our own manufacturing in Rajkot for certain products that we don't allow the IP to go to contract manufacturers. So, that gets made inhouse and other products we are now working through contract manufacturers to feed the demand in South and the entire lower end segment in South India will come from contract manufacturing.
- **Ms. Forum Maki:**
- Okay. And any plans of setting up a new facility in some other region?
- **Mr. Akhilesh Chitlangia:**
- Not at this point of time. We just want to grab as much market share and that's where the focus is going to be on deployment of capital, on working capital, and ensuring our market share grows. Our business is very working capital intensive and then if any opportunity arises thereafter we will look at it at that point of time.
- **Ms. Forum Maki:**
- Okay-okay. Thank you so much.
- **Mr. Akhilesh Chitlangia:**
- Yeah.
- **Mr. Navin B. Agrawal:**
- Thank you, Forum. Wow! That was a long Q&A session.
- Akhilesh, there are a few questions that have been posted on the Q&A Board. Should I take it?
- **Mr. Akhilesh Chitlangia:**
- Yeah, sure.
- **Mr. Navin B. Agrawal:**
- There's a question from Sonal R. The margins of peer sets such as Greenland, Stylam, Century are between 16%-24%. Duroply margins have been significantly lower than most listed peer. Even if we consider one of the marketing expenses, still your margins are considerably low. Kindly explain.
- **Mr. Akhilesh Chitlangia:**

- So, you know, our product mix is largely plywood, whereas Greenland and Stylam both have a very significant laminate business. I think the margins of the laminate business are slightly on the higher side.

- Second, because of our financial challenges over the years our cost of procurement of material is slightly on the higher side. Our plant is located in the western part of the country whereas our raw material source, as well as our source of sales is in the northern part of the country and then now south is also growing. So, you know, on account of bunch of factors our margins have been on the slightly lower side. So, that would be my response to that. It'll take us some time to improve the margins but we are working on that.

- **Mr. Navin B. Agrawal:**

- Sonal, I hope that answers your question.

- A couple of questions from a gentleman Rahul N. What is the outlook for the next year in terms of revenue and margins? And where do you see the company in the next 3-5 years?

- **Mr. Akhilesh Chitlangia:**

- The outlook, as I mentioned earlier, we were looking at 18%-20% revenue growth subject to market conditions being favorable and continuing as they are and we would see a marginal improvement in our EBITDA margins. That's what we're forecasting. So, I think, I had already answered and given an indication of about 6%-6.5% earlier in the presentation.

- **Mr. Navin B. Agrawal:**

- And where do we see the company in the next 3-5 years?

- **Mr. Akhilesh Chitlangia:**

- We're just going to take it one year at a time for the time being. We do expect to grow and be a significant player in the industry in the near term. But, you know, we just started a turnaround journey. I just want to keep our heads down and focus on the, you know, the next few steps and take it as it comes. There's a long, long way for us to go.

- **Mr. Navin B. Agrawal:**

- Thanks, Akhilesh.

- Jagdeep Singh. Do you have a long term manufacturing contract with reputed furniture makers and builders? How is rates revision decided?

- **Mr. Akhilesh Chitlangia:**

- Right. So, we're working with some very reputed furniture manufacturers in the northern part of the country. You know, some of the names I can…they are already shared in the investor presentation and we've been working with some of them for 10 years, 15 years, 20 years. The ones that are new, we've been able to give them a product very suited to their requirement, their machining which gives us a slight competitive edge. So, that's how we work with them. We don't have per se an annual contract with them. There's a lot of work done on relationship basis.

- And price increase is implemented based on the market dynamics. So, when we increase prices for the trade, subsequently we also increase in the same proportion for most of our furniture manufacturing customers.

- **Mr. Navin B. Agrawal:**

- Gaurav Somani asked, what would be a tax rate going forward?

- **Mr. Akhilesh Chitlangia:**

- So, to answer that we don't have any cash outflow towards tax. The tax rate that you're seeing currently is an account of past accumulated losses and deferred tax being reversed. So, that's the reason why the tax rate is fluctuating. It's as per the tax laws of India.

- **Mr. Navin B. Agrawal:**

- Ankur Kumar has a couple of questions. Since we have a good distribution network, any plans to enter into laminate or MDF? And second question, marketing expenses will continue at 4% of sales for the next few years. That's the question. Will the marketing expenses continue to be around 4% for the next few years? And can we expect quarterly con calls?

- Yes, Ankur, we will definitely try to have a quarterly con calls. I answered that on behalf of them.

- Yeah, Akhilesh.

- **Mr. Akhilesh Chitlangia:**

- Yes. And on the other question, any plans to enter laminate or MDF. We have a good distribution network, Ankur. I alluded to this, we are focusing on growing the plywood business. I think we just made a turnaround and we need to establish ourselves, make the company robust financially before we can enter any other product line. Entering any other product line requires a significant amount of capital as well as management bandwidth. Both are very precious for this organization at this point of time. So, we want to stick to growing the plywood business for the time being.

- And there was, I think, another part of his question.

- **Mr. Navin B. Agrawal:**

- One sec.

- **Mr. Akhilesh Chitlangia:**

- I'm not sure. I think I answered.

- **Mr. Navin B. Agrawal:**
- Will the marketing expenses continue to be around 4%?
- **Mr. Akhilesh Chitlangia:**
- Yes. It should be at 4%. If we are able to get further margin improvements then we will take a call then whether we want to further increase it or not.
- **Mr. Navin B. Agrawal:**
- Ankur, your question on what will be the tax rate has already been answered by Akhilesh.
- Hina Vohra; she has a follow up question. Just circling back to demand sentiments in the market you have alluded to some softness and we have been hearing of significant down trading. If this trend were to continue of the economy, commercial range would grow faster but could be margin dilutive. Thoughts on this.
- **Mr. Akhilesh Chitlangia:**
- Yeah. So, on the demand sentiments, we factor in these conditions when we make our plans for the year and I think our estimate is reasonable at this point of time. As I mentioned earlier, we anyways have about a 24% GP on the trading, you know, on the contract manufacturing side. I think that's a very healthy margin to have. Of course, margins will always be a concern but I think we are reasonably confident in achieving the numbers unless there is some unforeseen, significant Hara-kiri that happens in the market then it's a different ballgame. But, yeah, that's about it.
- **Mr. Navin B. Agrawal:**
- There are a couple of questions from someone called 'Anonymous Attendee'. Participants, request you to please identify yourselves because it becomes difficult to take up the questions otherwise. But nevertheless, I'll just take this up.
- Congratulations for a good set of numbers. Please let us know what percentage of your shares are pledged and how have you used the same. When are you planning to release this pledge?
- **Mr. Akhilesh Chitlangia:**
- Very valid question. So, the shares were pledged by our bankers on account of the deteriorating financials of the company to secure the working capital loans that the company already enjoyed. With the improved financials, we are now in conversation with our banks and, you know, to have the same released at the earliest.
- **Mr. Navin B. Agrawal:**
- One more follow-up question from Ankur Kumar. The other income of Rs.1 crores plus was quite high this Q4 versus past few quarters, can you please explain this other income?

- **Mr. Akhilesh Chitlangia:**
- Right. A large part of this came from the, you know, we had some land left in the northeast and so that was sold. You know, when we exited the plant, there was some land that was not sold and so now we have completely exited all assets from the northeast. So, that is probably the reason for the higher other income.
- **Mr. Navin B. Agrawal:**
- Participants, anyone with a question, request you to raise your hands so that we can unmute you and take your question.
- **Mr. Akhilesh Chitlangia:**
- I think there's one question that just came in.
- **Mr. Navin B. Agrawal:**
- Yeah. There's a question from Bhavani Kumavat. Bhavani, please go ahead.
- **Mr. Bhavani Kumavat:**
- Yeah, Sir, thank you for the opportunity and thank you, Akhilesh Sir, for the good set of numbers. So, Sir, what we are hearing on the market side is that MDF has started taking share of the low and plywood segment and in the meantime you are talking that the large growth will be coming from that non-premium or that segment. So, just wanted to understand more about on the same.
- **Mr. Akhilesh Chitlangia:**
- Sure. So, Bhavani, if you look at the plywood industry, what we mean by the lower end segment is actually not the lowest end of the market. There is a sub or an extremely cheap grade of material that none of the branded organized players existed and that is where the MDF has made a real dent in the industry. So, when it comes to this lower mid segment, that's what I would like to call it, and upward to the premium plywood still continues to have a very strong grip on the market as a product but the absolute bottom end on which the unorganized sector largely existed on that has been impacted and none of the organized players are in that segment in any meaningful way.
- **Mr. Bhavani Kumavat:**
- Got it, Sir. So, Sir, just two more questions. What is the mix we are expecting from premium and non-premium over the next 3-5 years?
- **Mr. Akhilesh Chitlangia:**
- Bhavani, again, I'm not going to be giving any indication on 3-5 years. Again, it's a long way ahead and we have just turned around.

- **Mr. Bhavani Kumavat:**

- Okay. Okay.

- **Mr. Akhilesh Chitlangia:**

- So, there's a lot of work for us to do. So, giving an answer, looking 3-5 years ahead at this point would be I don't think appropriate or the correct thing to do. Having said that, you know, our premium product we do expect for growth in the premium segment of about 10%-12% year-on-year and the Tower segment and the mid segment products to grow at about 30% odd for the next financial year.

- **Mr. Bhavani Kumavat:**

- Got it, Sir. Thank you so much.

- **Mr. Navin B. Agrawal:**

- Thank you, Bhavani. We have a question from Imran Khan, Imran, please go ahead.

- **Mr. Imran Khan:**

- Hi, thanks for the opportunity. Sorry, I joined the call a little late, so maybe, you know, my question would be a repetition. You can skip it, you know, if already answered.

- **Mr. Akhilesh Chitlangia:**

- Sure.

- **Mr. Imran Khan:**

- I wanted to understand the impact of imports on your business, you know.

- **Mr. Akhilesh Chitlangia:**

- Yeah, sure. So, Imran, imported plywood does not have a very big dent on our business as what our current business model is. Imported plywood is largely used in absolutely the cheap end segment or in commercial projects which is a very, very small portfolio in our total business. So, we are kind of protected from a lot of imports of plywood from other countries.

- **Mr. Imran Khan:**

- And it doesn't impact your realizations as well?

- **Mr. Akhilesh Chitlangia:**

- No, we are focused more on the premium home buyer segment. So, again, the imported products don't really compete in that segment. So, we're reasonably well protected there.

- **Mr. Imran Khan:**

- All right, thank you.

- **Mr. Akhilesh Chitlangia:**

- Thank you.

- **Mr. Navin B. Agrawal:**

- Thank you, Imran. We're running out of time, so we have just about enough time for a question from Hiten and a couple of questions on the Q&A Board. Hiten, please go ahead.

- **Mr. Hiten Boricha:**

- Yeah, thanks for the call out, Sir. Sir, can you throw some light on the working capital cycle? I've been seeing that the working capital is improving too much. It was from 62 days to 40 odd days in FY 23, so just wanted to understand what have we done in the last couple of years to improve this and how is it going to pan out in the next couple of years, maybe next 1 year? Yeah.

- **Mr. Akhilesh Chitlangia:**

- Sure. So, Hiten, I kind of answered this earlier and I'll repeat myself. See, Debtor Days on the industry for a number of years we've been very, very strong and that alludes to the quality of channel and dealer distributors that we have.

- Now when it comes to Days Payable, the infusion of equity capital, which was for the reason of working capital has allowed us to bring this under control. So, that is there.

- The third is on the Day's Inventory. You know with the infusion of funds, we've been able to procure all our raw material on time. Previously what would happen we would get 'x' raw material but then 'y' wood finish. So, that, we were stuck in that log jam. Second, we also implemented some new inventory management systems which have allowed for some of the slow moving inventories to be consumed and liquidate that through a normal sales. So, that has brought this down. So, yeah. I hope that answers your question.

- **Mr. Hiten Boricha:**

- Yeah, yeah. Thanks for repeating the answer, Sir. And, Sir, last is on this interest cost. So, just wanted to understand. We are now going to generate good cash, so what will our debt look like? And as you mentioned earlier, our financials are getting stronger and we are in talks with the bank, so any color on the debt? What would it be looking like by end of FY24? Or interest cost is going to come down? Anything on that?

- **Mr. Akhilesh Chitlangia:**

- So, Hiten, what I can answer on that part is that we are working with the banks to lower our rate of interest. A large part of our debt is working capital loan pledged against our debtors and stocks. So, you know, that's what accounts for a large part of our debt. There's not a lot of long term debt on the Balance Sheet. So, I think, on the debt side we are reasonably comfortable from the quantum of debt and the type of debt we have. Our challenge is the cost of debt that is there because of the weak financials. So, we are working with the bank, a, to remove the pledge of promoter shares that exist and also to reduce the level of interest costs that we are bearing. Again, with improved financials, I'm pretty sure the banks will look favorably at the company for that.

- **Mr. Hiten Boricha:**

- Okay, yeah. Sir, what would be our current cost of debt? And this is my last question. Thank you.

- **Mr. Akhilesh Chitlangia:**

- Pawan, can you answer that? Average cost of debt.

- **Mr. Pawan Kumar Verma:**

- Average cost of debt is around 14% right now.

- **Mr. Hiten Boricha:**

- Sorry?

- **Mr. Akhilesh Chitlangia:**

- It's about 14%-15%; around this.

- **Mr. Hiten Boricha:**

- Okay-okay. Thank you, Sir.

- **Mr. Akhilesh Chitlangia:**

- Yeah.

- **Mr. Navin B. Agrawal:**

- Thank you, Hiten. We'll just take a couple of questions on the Q&A Board before winding up.

- Ankur Kumar. Can you please explain the seasonality of the business? In which of the quarters is the best and which is the worst?

- **Mr. Akhilesh Chitlangia:**

- Right. So, a good question. So, for us particularly we are a home buyer segment driven brand and so we are dependent on a lot of labor strength being available onsite from the carpentry side. So, Q1 is always a challenge because most carpenters, a large part of carpenters and the labor comes from the U.P., Bihar side and there's always a challenge on labor at that time.

- Second is, Q3 is always a challenging quarter because we're a trade driven company. So, Q3 a lot of days go in, you know, the festival season Diwali and Dusshera and, you know, and phase is a little challenging.

- So, those are the two seasonality challenges that we get. But otherwise it's not as bad as it is in other industries.

- **Mr. Navin B. Agrawal:**

- Okay.

- Dhiraj Shah. What is the price difference between your products and peers products like Century and Green ply?

- **Mr. Akhilesh Chitlangia:**

- So, in North India we compete on pricing with Green ply, Century ply. In some parts of North India, we in fact get a premium over them as well, which is our strong area. West and South, we sell at a discount to them and East is at a significant discount to them. So, as we continue to grow and spend more on marketing, we will be looking at covering some of that cap but nothing in the near future.

- **Mr. Navin B. Agrawal:**

- Sarvesh Modani. Sir, you have guided for volume growth of 18%-20% and a value growth of 20%-22%. This translates to around 40% revenue growth. So, is that our guidance?

- **Mr. Akhilesh Chitlangia:**

- No, not at all. Not at all. We said volume growth of over 22%, value growth of 18%-20%. Our estimate still remains at overall revenue growth of 18%-20%.

- **Mr. Navin B. Agrawal:**

- And the last question for the afternoon is from Tarun Rathi. Sainik by Century's market share versus Towers?

- **Mr. Akhilesh Chitlangia:**

- We are very, very small, Tarun ji. I will not even answer that. We are in the first year of full-fledged operations. They have been in that market for 8-10 years. We're a small baby in a large market. I'll just answer it that way.

- **Mr. Navin B. Agrawal:**

- And probably the turnaround is putting/pegging in that category. Investors want to see you in that category.

- **Mr. Akhilesh Chitlangia:**

- Thank you so much.

- **Mr. Navin B. Agrawal:**

- Okay. Thank you very much, ladies and gentlemen. That was the last question. As there are no further questions, I'd like to hand over the webinar to Akhilesh or Sudeep ji for the closing comments.

- **Mr. Sudeep Chitlangia:**

- Thank you. Thank you very much to everyone for being a part of this initiative and the first webinar that the company has hosted. Thank you to SKP for posting it for us and taking us through this exercise and this experience. Thank you to all the people who have been part of the webinar, to have put forward their views and sort the company's managements views on the future growth of the company and what we feel is going to happen. Thank you very much and we look forward to more such engagements going ahead with and giving you confidence that the company is on the right track as far as its future vision is concerned. Thank you everyone.

- **Mr. Akhilesh Chitlangia:**

- Thank you.

- **Mr. Navin B. Agrawal:**

- Thank you very much, ladies and gentlemen and thank you, Sudeep ji, Akhilesh and Pawan ji for taking time out for this webinar and we look forward to hosting you for all future interactions. Thank you and have a nice day.

- **Mr. Akhilesh Chitlangia:**

- Thank you.