

Date: 19.11.2022

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| Listing Department National Stock Exchange of India Ltd Exchange Plaza, 5 th Floor, Plot No.C/1 G Block, Bandra Kurla Complex, Bandra (E), Mumbai-400051 NSE Symbol: AVROIND | Listing Department BSE Limited Phiroze Jeejeebhoy Towers Dalal Street, Mumbai-400001 BSE Scrip Code: 543512 |
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Dear Sir/Madam

Sub: Transcript of the Investors Conference Call

Pursuant to Regulation 30 read with Para A of Part A of Schedule III of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed herewith the Transcript of the Investor Conference Call of Avro India Limited ('the Company') held on Tuesday, 15th November, 2022 at 12:00 p.m.

This is for your information and records.

Thanking You

Yours Faithfully

For AVRO INDIA LIMITED

SUMIT
BANSAL

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SUMIT BANSAL
Date: 2022.11.19
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Sumit Bansal

(Company Secretary & Compliance Officer)

M.No: A42433

Encl: As above

AVRO INDIA LIMITED

(Formerly known as AVON MOLDPLAST LIMITED)

A-7/36-39, South of G.T. Road,
Indl. Area (Opp. Rathi Udyog Ltd.)
Ghaziabad-201009 (UP), India

Tel: 0120-4376091
Helpline: 9910039125
info@avrofurniture.com

www.avrofurniture.com
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“Avro India Limited
Q2 FY ‘23 Earnings Conference Call”
November 15, 2022



MANAGEMENT: MR. SUSHIL KUMAR AGGARWAL – CHAIRMAN – AVRO INDIA LIMITED.

MODERATOR: MR. VASTUPAL SHAH – KIRIN ADVISORS

Moderator: Good day, ladies and gentlemen, and welcome to the Q2 FY '23 Earnings Conference Call of Avro India Limited, hosted by Kirin Advisors. As a reminder, all participant lines will be in the listen-only mode. And there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Vastupal Shah from Kirin Advisors. Thank you, and over to you, Mr. Shah.

Vastupal Shah: Thank you. Good afternoon, everyone. Thank you for joining the conference call of Avro India Limited. I would like to welcome Mr. Sushil Kumar Aggarwal, Chairman of Avro India Limited. Sushil ji, over to you, sir.

Sushil Aggarwal: Thank you. Thank you very much, Michelle, and thank you very much Vastupal. Very good morning to all of you, ladies and gentlemen. It's a pleasure to be connecting with you all over again, and I'm looking forward to a meaningful engagement and a dialogue with all of you. And I want to wish and I would extend warm wishes for the upcoming festival season ensuing an ongoing festivals that is happening. And this second quarter FY '23 conference call.

Avro India Limited is one of the largest manufacturers of quality plastic molded furniture in Northern India and amongst the top five brands in the country. The product portfolio of company includes household and office plastic furniture molded tables, stools, almirah and so on so forth, more than 100 SKUs that we have. The products of the company are mainly known for its quality and durability, along with the long-term warranty and guarantee also. This has propelled the growth of its two established brands, Avro, A-V-R-O and Avon, A-V-O-N, these are the two brands that we operate in.

We have commenced our recycling operations for using plastic, which is up cycle, of course, we normally call it up cycle, not recycled, but we are using that. And the strategy using this pallets for as our major raw metal requirements are being met through that, which is absolutely keeping in view of the quality commitment that we have towards society as well to the consumers. And we believe on full utilization of this facility, which probably in the next two quarters or so, we'll start seeing a tremendous amount of results, which are going to be getting accrued on account of this.

So recycled plastic pallets are almost 20% cheaper than what we have been consuming these days. And that will certainly add to the bottom line of the company and a lot of savings as well as give us a competitive advantage to be absolutely taking care of the competition in case if it has to be and throughout it also. We are always focused on business growth and enhancing our product portfolio in FY in Q2 FY '22 and for Diwali festival sales, we have launched a couple of our products like stool 21-inches, which is a plastic furnace stool, new baby chairs, a beautiful product, a new 4 kg chair, and we also have a couple of more products in pipeline, which we keep in keeping in view of the expectation and aspiration of the consumer, which the dipstick study that we give us and gives us an idea that this is what consumers are looking forward to and forecasting that, and that is how Avro India Limited has created more than 28 designs listed

in its own company name, which is probably the best or the largest in the country for that matter. And that we could do only because we could forecast what is it that is desired, we create those models and designs.

For the period, on online sales contributed about INR 75 lakhs to the revenue, while offline sales has been contributing about INR 207, to just INR 20,72,60,000 to the revenue. And outlook for the plastic market globally is very update, and we are expecting a message that it was \$145 billion in 2019, which is, of course, a little old data and which is expected to reach about \$190 billion in 2027, growing at the rate of CAGR of 5.8% globally. But in India, it is growing at the rate of 15% because of the demographic that we have in the country. Rapid atomization increase in disposable income, surge demand for housing and real estate space and rising need for premium and luxury furniture from customer will continue to drive growth from the global plastic furniture market.

High-growth plastic furniture is gaining increased traction for residential and commercial purposes owing to the properties such as timeless durability and aesthetics as well as the waterproof nature, which can be used indoor, outdoor for not months and years, but for decades. Real estate and hospitality sector have driven the growth of the plastic furniture market in times to come. In India, rising urbanization, increasing working populations, competitive pricing and rising e-commerce would be driving force of plastic furniture demand. Our focus is to expand product portfolio to meet customers' preference and increase regional presence.

Now let me take you through financial performance in the second quarter. For Q2 FY '23, the total income for Q2 FY '23 is at INR 21.56 crores against INR 14.67 crores in the Q2 FY '22, there's a growth of 46.97% year-on-year growth. And EBITDA for Q2 FY '23 is at INR 2.09 crores against INR 1.21 crores in Q2 FY '22. So there's a growth of 72.73% year-on-year growth. EBITDA margin for Q2 FY '23 is at 9.69% against 8.25% in Q2 FY '22, which is 145 basis points year-on-year growth. Net profit for the Q2 FY '23 is at INR 1.05 crores against INR 0.78 crores in Q2 FY '22. So there's a growth of 34.62% year-on-year. Net profit margin for the Q2 FY '23 is reported at 4.87%.

For H1, FY '22, which we are talking about this year, the total income for H1 FY '23 is at INR 41.88 crores against INR 26.81 crores in H1 FY '22, so giving a growth of 56.21% year-on-year growth. EBITDA margin for H1 FY '23 is at INR 4.26 crores against INR 1.31 crores in H1 FY '22. So there's a growth of 225.19% year-on-year growth. EBITDA margin for HY FY '23 is at 10.17% against 4.89% in HY FY '22, so 529 basis points year-on-year growth. Net profit for HY FY '23 is at INR 2.09 crores against just INR 0.42 crores in FY '22 to 397.6% year-on-year growth. Net profit margin for H1 FY '23 is at 4.99% against 1.57% in HY FY '22 342 basis points year-over-year growth.

So ladies and gentlemen, with this, I open the floor for Q&A, and we'll be more than happy to answer what best I can, thank you very much.

Moderator:

We have the first question from the line of Siddharth Ahluwalia from Kojin Research.

Siddharth Ahluwalia: I have a few questions. My question is, our margins are under pressure. So what the reason? And what is the outlook for the year?

Sushil Aggarwal: Okay. Anything else, or should I answer this first, and you will go ahead with the next question. All right. Let's me answer this. As you can see, we have these other expenses which are amounted to about INR 17 lakhs going up in this particular Q2. So I think there are the certain amount of issues, let's say, for example, there were some provision for the bad debt and the selling expenses went up during this time, some amount of admin expenses went up and all the thing. But these things will get streamlined over a period of time on the basis of the volume of sales that will be driving henceforth, because Q2 is normally a very subdued Q, because this is the season where normally there are rains and there are disruptions and all the no marriages, no functions and all that thing.

So invariably, we expect it to be a little subdued and but then nevertheless, we've been able to somehow take care of that. But Q3 and Q4 onwards, Q4 is the best of the period as far as the, let's say, marketing in Q4 and Q1 are normally the best of the period due to festive season as well as the marriage season also. So we believe that whatever these expenses are gone in -- there are a couple of onetime expenses, which are being taken care of and perpetual expenses will get shut off on the basis of the volume that will be driving henceforth. Yes, Mr. Ahluwalia, yes.

Siddharth Ahluwalia: Yes. And any new challenges during the quarter?

Sushil Aggarwal: New challenges, of course, because we've been so update that these days, we have expanded our footprint across country. I think about six months back, we were not significantly present in Southern India, but now we have two full-time resources based out of Bangalore as well as Chennai taking care of Karnataka, as well as Kerala and Tamil Nadu. We are hiring another resource for Andhra and Telangana also. These people are actually going, let's say, appointing distributors across, let's say, these states.

And fortunately, the response has been overwhelming. So in a way, I would put it display that you know it's only that we are unable to reach the consumers or the marshal the distributor level, let's say, today, when we are selling in Srinagar, we'll also sell Trivandrum. We sell in Bangalore. We also sell in Belgaum. We also sell in Buch, we also sell in Guwahati.

So the best part has been, in a way, best part has been that wherever we went through across country demographically, geographically, we found acceptance. Only thing is it is taking us time because of the bandwidth non-availability of bandwidth, we expect that over a period of the next couple of months, depending upon the amount of resources that we on-board, we should be able to percolate down and reach out to all these states across country and ensure that we are able to capitalize on the available market that exists for us. So this is a challenge.

Siddharth Ahluwalia: So what is our current presence?

Sushil Aggarwal: We are not in the largest in any case because since we are based out of Ghaziabad and with two decades, we have been in existence. And probably, we are one of the pioneers after those large corporate setup out of Mumbai, we were the only company we started. So we have a significant presence in Northern India.

And I would say that at least about 7% to 10% market share of Northern India exists with us. I will put it not 7%, but 10% market share exists with us, which we are now expanding toward certain amount of deep distribution as well as secondary support and pull strategy through branding also. We had been doing certain detailed activities, but they were not good enough, now we probably want to take it to the next level, where consumer pool can be created. So with the pipeline of creating that kind of pool and I'm sure over a period of time market certainly yields us that kind of results.

Siddharth Ahluwalia: So largest market will be UP.

Sushil Aggarwal: Sorry, Mr. Ahluwalia, please repeat again.

Siddharth Ahluwalia: So largest market will be up?

Sushil Aggarwal: Yes. largest market, in any case, will remain on Northern India and of course, Uttar Pradesh, because Ghaziabad, Uttar Pradesh is about INR 25 crores plus kind of population. And the beauty about that is the demographically also, the kind of the landscape that we have, the kind of reach out that we are able to do plus the kind of demographic advantage that we have is that people, the biopsy is very good. Let's say, for example, Western India, Mumbai and all those locations, probably the consumers are of a higher category. And being in that niche segment, probably they may not prefer at times plastic furniture.

But from most of the people here, this is the furniture for them in a daytime it becomes the drawing room and night time it becomes a bedroom. So I would put it this way that because there are a lot of people below poverty line, and they're awarding these days because of the disposable income coming in. And in which children are also probably bringing that kind of money to these parents, I'm sure over a period of time, it is going to actually rise rapidly over a period time. That is how I said, globally, there might be 5%, 5.5% of growth. But in India, we have 15% growth.

Siddharth Ahluwalia: So what is the status of new recycling unit? And what will be the capacity for FY '23, FY '24 and FY '25?

Sushil Aggarwal: Mr. Ahluwalia, what we started doing was that we wanted to actually do the pilot first tests and check each and every small-small mitigates and all the things. We have come out of that. We had been doing about almost about 200 tons plus per month. But our own consumption is about 7,000 to 8,000 tons per annum. So we believe that by this Q3 end, we should be doing more than 300 tonnes plus. And by Q4, we should be probably though that 400 tons or so. So new additional capacity, which probably will go online by this month and November end or so.

We expect that this particular capacity should start giving us a result and that will give us a huge leverage not only in terms of the bottom line, but as well as the, let's say, the satisfaction that comes along of your own internal, let's say, arrangement of the product that you're consuming and manufacturing that there are no anomalies in terms of the quality or strength for that matter.

So we are in the process, and I believe that by FY '23, almost 50% of our consumption, we should be able to do with the up-cycling or recycling. And by '24, we should be almost 100% of our needs and requirement. And by FY '25, we believe that is more than 100% of our additional capacity, we should be able to sell it off to other competitors or other people in the industry, for example, there's a 1 million ton of requirement of polymers in this particular industry is about \$1 billion industry, and I'm being National President of Financial Manufacture Association, I'm aware of the whereabouts and the infrastructure that everybody has today.

So all I have to do is just to reach out with them and tell them all right, why don't you buy from me. And I'm sure being cost competitive and advantages, I should be able to do that. So we're looking forward to certain time growth happening not in terms of the furniture sale, but also with the sale of pallets and granular that will manufacture over period of time.

So what is the best operating margin that we can maintain...

Siddharth Ahluwalia:

So, what is the best operating margins that we can maintain?

Sushil Aggarwal:

We certainly expect that profit margin should rise year-on-year because, ultimately, because the market exists, it's a sunrise industry and because the consumption is ever rising. And when it comes to, let's say, competition or when it comes to being, having a head start, I think we are a company which is very creative. So that's how we are able to develop new modern designs and we get a little better mark-up than others.

So progressively, there are two revenues of profits. One is increase and expansion of the sales that we are doing currently and go beyond that. Two, this particular recycling of segment that we're talking about. Mr. Aggarwal, what is very interesting in our case here is we are a very unique company or probably the only company in the entire country, which has got a downstream upstream project where right from the small line, right, from the up-cycling that we do or recycling that we do to the final product that we are selling, not only in terms of B2B, but in B2C also Flipkart, Amazon, etcetera, we have a complete value chain. So this is something that will not only give us a sustainability, but also will give us an advantage, which is over a period time, perpetually continue to give us the kind of results and benefit that we're looking forward to order the stakeholders, shareholders for the growth of the company also.

Moderator:

We have the next question from the line of Devesh Srimali from DS Investments.

Devesh Srimali:

Congratulations for decent set of numbers. So I was going back to your commentary where you said that seasonally Q3, Q4 should be much-more healthier than what Q1, Q2 has been, can you help us understand what would be the driver that you see improving both revenue or margins or

the things like that, over, H1 to H2, what would be the key difference in terms of demand as well as our volume growth and things like that?

Sushil Aggarwal:

I'm sure all the FMCG products are sold sales across country normally picks up during the festival season or the marriage season. And probably, I would, more than festival, have put marries as the biggest growth driver of the country for that matter because the amount of marriages that happen in the country as well as very interestingly, for a lot of these people who are BPL families or, let's say, lower middle class family. For them, this is the furniture that they would give out to their daughters and families or this is a kind of furniture that they use for, let's say, their, let's say, events and all that.

So now if marriages a little low, for example, this year, we had very-very low seasons of marriages. So due to COVID, actually, there should have been a huge flash shock marriages which should have been happening. They are happening probably. But they're all happening and mass in one particular shot, but normally, it gets spread over a period of time. So, you believe that one biggest growth driver is always marriages and ofcourse festival season also brings lot of joy as well as money to these people and they normally splurge and want to go in for products which are visible and which probably adds value to them.

So because we don't, we not only serve the, let's say, the lower strata of the society, we also have products which are being, let's say, given on the gem as well as on the forces, etcetera different forces. We are on the metro stores in metro AG of course which has been now taken over by Reliance. So we are also in AJIO and Meesho and so on and so forth, Flipkart, Amazon, etcetera. I think Flipkart, Amazon today We are ranked number one in the country as far as the online sales is concerned, the presence is concerned, not in terms of the total volume of sales, but ranking and dating, all these three put together. So we are aggressively looking forward and we believe that these grow drivers of not only number one, marriage, number two festival, number three deep distribution. These things will certainly drive the company to the next level itself that we will be looking forward to.

Devesh Srimali:

Great, that's quite helpful. And if you can also give us some comment about Q3, which is literally halfway through, how is the festival season panning out for us? Do you see it as per expectation in terms of demand or do you think it could get better from here? How do you see it?

Sushil Aggarwal:

Mr. Devesh, this is a beautiful question. You know, interestingly, we all, we expect Because post-COVID, this is probably the season that we are seeing where everybody is off their masks and their security that they were in-house. So today we actually expected it to be a windfall and a bumper sales and growth that should have happened. Explosive. Probably the revenge of the traveling and all that was happening.

Hospitality sector seems to be extraordinarily fine. But yes, maybe even FMCG in case you will look at sales and growth and profit set they are doing a stupendous job. But yes, probably certain of commodities or set in the product category. We are not seeing that kind of traction that kind of growth that should possibly happen. That kind of explosive let's say, for example, last year,

when we opened up, we had one of the biggest largest sales that we ever had in October, October '21. But in October '22 or November '22 whenever you see, we don't see that euphoria happening.

So I don't think that will happen in December also because there are only four or five marriage seasons at this particular point of time. But we expect because as I said, January 14 onwards, post-Sankranti marriages and festivities and so on so start. And then it goes on till mid-July or so. So we expect that the next two quarters after this Q3 should be reasonably good, which is Q4 and Q1 otherwise.

Devesh Srimali:

And if I were to go back to our Q1 conversation, you sort of guided that 30% to 40% is your growth aspiration. And if I look at H1 itself that 30% to 40% growth is sort of coming in numbers. We expect that to be relatively flatter than H1 or do you still see that we should overshoot our guidance and do better than the...

Sushil Aggarwal:

Clearly, Mr. Devesh, this is not exciting me because we had aspiration, we have some moment a target which we have set for internal working, and we have been working towards to meet those targets. And I'm feeling a little upset. I'm little, let's say, I would say that I've been challenging my own team and people, this is not acceptable because we do not want to promise something and deliver less. We want to actually promise less and delve better. And we -- because we understand the dynamics of the market, we are sales of the whole issue. It's not that somebody needs to teach us. It is just that we need to act upon. And in case you got over little growth that we are driving to be 2% to me as Sushil Agrawal, I'm not satisfied with my growth, and I believe that we have huge potential. All that is probably required is a very selective and very judicious approach to the ideology or to the goal an objective, and I'm sure we should be there.

So I believe probably it is taking some time for us to onboard certain resources, people, etcetera, or processes, and it certainly takes some time because these are bulky item in terms of space managing inventory management, skill management, expectation management, etcetera, it takes some time. But nevertheless, we are in the process, and I'm sure over the time, as we go along and on the basis of the support that we're restating from all of you, including the retail investors, etcetera, in the industry, it is actually giving us a great amount of impetus and boost to all to say, all right, here are the people, the entire country is trusting us, let's do something valuable, not only for them but for our stakeholders also. So we're in the process of that.

Devesh Srimali:

And one last transitional, if you look at the cash flow side, there is a significant jump in trade receivables. Do you see there is a stress in channel and distribution that we sort of need to increase the credit period and things like that?

Sushil Aggarwal:

Now, incidentally, we acquired some high, let's say, value consumers and all that thing in the last this Q2. And that is where I was also checking that I was a little aghast. And I said, why did it all go up? So then I was just checking and I found that there are a couple of, let's say, buyers that the investment is little more on that. But nevertheless, we're in the process. And what is happening is, let's say the rotation is happening month on month, but probably in a month and

in any category, it gets It's not getting zero, but it's getting deflected. But never the rotation is happening pretty fast. That's how you could see the growth in sales and all the things.

But I believe that over time by Q4, we should be not only able to streamline our out turning to a level which is very reasonable, very affordable and affordable also, probably acceptable also. To some extent, we had been supporting the market because of this COVID as well as downturn that was happening and people are place, they were also looking for some amount of help and solution.

So it's not that we are a social enterprise, but we found that probably we needed to support a little bit. And while we were acquiring certain amount of high-net-worth customers, it took little time, but we are in the process, and this will be taken care of. I've seen that

Devesh Srimali: Thank you. And the last one would be if we look at our results document, in the footnote there is a mention of an ongoing court case. Can you help us understand what exactly this is and is it something more transactional or is it something...

Sushil Aggarwal: No, we don't have any court case going on. There was some CIRP issue because there was some operational credit for INR 9 lakh rupees and the decision was in our favor but unfortunately I don't know how it happened and we solved that issue that was all long back over. We don't have any court case pending against the company. We would have probably filed some cases against data's who have been wilful defaulters for that matter. In the footnote number five, it says we have filed against some company and that's it. In fact, in National Insurance, they owe us money because of certain litigation that they have created. So in any case, against the company, there are no cases. But we have filed some cases against the defaulters.

Moderator: We have the next question from the line of Dilip Chaturvedi from Precious Investments.

Dilip Chaturvedi: Yes. So as you mentioned earlier, can I just provide more details on the company planning to bring some new products or some of the new designs that are coming up?

Sushil Aggarwal: Mr. Dilip, this is a very dynamic system. What happens, you know, I can't forecast for the next three, four years. But what we normally do is at least six months to one year ahead we sense the market. What is it that is required and needed. For example, we are one particular company which started creating, let's say, tags, barcodes, as well as, you know, wrapping of the whole chair, as well as putting the brands and all the things in case. In case you can find time, I probably went to order on Flipkart and Amazon. And just one or two pieces just to have a look at it, you'll feel, oh my God. We packed it as if it's a bride. We packed it in a beautiful fashion, very differently. And we want to present every each and, it's not that it's a bundle, it's every each and every piece we do that.

So while we're in the process of creating something new and different, experiential, as well as that kind of, let's say, the pride in carrying a product. Sometimes it's a dark horse. We don't know what might hit, what might not. And because of the last two to three years, travel is absolutely

zero due to, let's say, to China or to Southeast Asia, etcetera, for that matter. I used to travel a lot. And because I used to travel, I would normally see a lot of latest designs and all this.

So that's getting curtailed. But nevertheless, we have a bouquet of products and services that we have thought. And we know that these are the products and services that we can bring into the industry and give it to them. But it all depends, of course, there are capacity requirements that comes in terms of the machine, the molds, and then, you know, outrunning the resources as well as the space, etcetera. Where obviously, naturally, the amount of internal accruals, the debts that we accrue, etcetera. All put together will enable us to take care of those areas. But we are in the process, we will continue to develop new and new products.

Like I just mentioned, a couple of products that we've introduced. Interestingly, in the last, let's say, one, one and a half year, as much as I can see, Most of our peers in the industry haven't been able to bring a new product because they realized things not been working and probably for them COVID was some kind of event where they felt that the whole market is doomed. But it's not true. It was just an event passed gracefully and God has been kind that we are all in existence today.

So that being the case today, what we're trying to do is that we are being ahead of others in terms of bringing the products. Whatever I said is just nothing. There are a couple of more products that are in the pipeline which are getting manufactured. We normally get it done from China and Taiwan, etcetera. We do a lot of designing in-house also. So we're in the process and we'll continue to ensure that over the period of time, as per the needs and aspirations of the consumers, and as per the value addition that they can get from the product, wherever we can replace, we'll continue to replace those products with our own, let's say, value added product which we are able to deliver and we will continue to deliver that.

Dilip Chaturvedi:

So any product diversification plans in different categories?

Management:

Mr. Dilip, what we are trying to now do is that because this is our core competence, we want to focus on our core competence because there is so much of, let us say, there is a leeway and leverage available, there is so much of market available. So instead of deviating our resources or our strength or focus into various things, we would like to be industry leaders, which we are anyway doing and we are reasonably, but we would like to have that kind great dominance in terms of the acceptability, availability, what is given is sold, kind of situation.

So by doing that, we want to offer a bouquet of products and services. And while we are doing that, as you said, we are going into the backward integration also. And that backward integration helps us not only in terms of delivering, let's say, compounded products for our own company, but we can actually compound it for others also, which we have not been doing for the past two decades.

Let's put it this way. That I manufacture a chair in red colour or in a brown colour. and I compound the polymer to make that brown or red colour. That we were doing it for ourselves.

But now we're getting poised to actually give that compounded product itself to white coat industry, to let's say coolers and so on and so forth. Every number of people they buy.

So why don't we actually start delivering to them also? It will bring in certain the moolah, money, margin, etcetera, plus also give us a great amount of advantage. And because we are not only in-house our own production, our own consumption, our own compounding, we are able to only deliver that. So with our resources, allocation will be very little. But in terms of valuation, it will certainly give us a great amount of advantage. So we're looking forward to something like that. We do have a couple of other products in the pipeline, which are going to be related to our own industry itself. But at this point, it will be a little early to declare and to say that. But as we go along further in terms of whatever available resources we have, we'll ensure that we continue to do that.

Dilip Chaturvedi:

So I have one more question. What kind of all plastic furniture products we can make with the same setup?

Sushil Aggarwal:

That's the beauty of these particular machines. These are universal machines, injection molding machines. We have range from 250 tons to 600 tons to 780 tons to 775 tons to 1100 tons and so on and so forth. Now being universal machine, anything and everything that fits into their, let's say, arrangement can be manufactured. We just need a mold. It could be planters, it could be dustbins, it could be pallets, it could be anything for that matter. So we are absolutely geared up. And another beauty is that, let's say, whatever resources, whatever capital asset that we have, machines, particular machine I'm talking about, not the molds, then those capital assets are a good great asset, let's say you bought a machine for about a crore rupees 20 years back. Today after 20 years also you can still sell it for 50 lakh rupees.

Dilip Chaturvedi:

So I have one more question that what kind of all plastic furniture products we can make with the same setup?

Sushil Aggarwal:

That's the beauty of these particular machines. These are universal machine, injection volume machine. -- we have ranging from 250 tonnes to 600 tonnes to 700 tonnes to 775 tonnes to 1,100 tonnes and so on and so forth. Now being universal machine, anything and everything that fits into their, let's say, arrangement can be manufactured. -- we just need a more. It could be planters, it would be dustpans, -- it will be pallet. It could be anything for that matter. So we are absolutely geared up.

And another beauty is that, let's say, whatever the sources or whatever capital asset that we have, machines particular machine I'm talking about, not the malls, then those capital assets are a great asset, let's say, you bought a machine for about crores 20 years back. Today, after 2 years also, you can still sell it for 50 lakh, please?

So that's the beauty of this after using 20 years because the product -- the machine cost must have gone up and the second hand machines are not much available because in the country, there's a huge economic growth or the manufacturing development that is happening across all

sectors, especially in the injection molding plastic industry sector for that matter. And that is a large corporate, large company from across globe are coming up and setting up shops, especially in Gujarat and Ahmedabad in all region to set up these industries so that they are able to get it to the needs and requirements of the Indian industry, which is ever going very, very fast growing.

So we can, tomorrow, if at all, I like to manufacture some tile for automotive component for cooler industry for furniture industry or let's say, for mixer and industry of our phones, I can do that. Anything everything is possible on this machine, the universal machine. And they come from very large company like Ferromatik Milacron, which is an American company, there from it which the world's largest company for that matter from China, operating from China they all have their own subsidiary in Ahmedabad operating out of that.

Dilip Chaturvedi: And about the machine, what was the average cost of the mold?

Sushil Aggarwal: Most normally come in the region it depends, for example, if it's tool and baby chair mold, it might cost 15 to 20 lakh rupees. A chair mold might cost about 35 to 40 lakh rupees. And very specific product, if he has something bigger, smarter, intelligent or something very different, Probably, it might cost even 50 lakh rupees also. So these are some of the costs of the mold which is probably one time and in a kind of output that they deliver could be about as much as 1 million to 5 million shots over a period of time of their lifetime. And they can be of course, you know, these molds are normally, if in case they keep take care of the upkeep, they last for as far as maybe 10, 15, 20 years also.

Dilip Chaturvedi: And so what is the new product planning process at Avro?

Sushil Aggarwal: As I said, we sense the market. We keep in touch with our dealer distributors, etc. And we continue to take feedback. There are an end number of people who will give suggestions which probably are not supposed to be implemented, but because they had, they wanted to say it their own way. They tell us. We pick up everything. And what we do is we take a dipstick, we also understand in terms of where is the volume growth happening, what is it that is desired to be given.

And we actually, in fact, sometimes people tell us, sir, it's a very big range you have. Why do you want to continue to give more products? I said, it's not the question of you continue to give more products. It's just because there are certain products which become obsolete over a period of time. So we need to bring in that fresh. You know, that fresh touch should be there. It's like, you know, let's say mobile phones today, you know, you have fresh range coming in, so people like it. So same way, we continue to evolve over a period of time. We don't just stagnate ourselves with the old range that we have.

Dilip Chaturvedi: So one last question, sir. What is the number of SKUs that you will be coming up during the year?

Sushil Aggarwal: Mr. Dilip, I think, as I said, we have introduced a couple of these already. Certainly, it's about 3 more in the pipeline, which probably by December end itself, we should be able to deliver and overpay, we're not stopping. We are -- there are a couple of products, which are in the designing stage, there are a couple of products, which are actually getting done in China. So as and when it happens, it's something it's a perpetual and a continuous process that they continue to do that.

We don't stall or we don't wait enough or something to happen. Assumable, let's say, in case we had to introduce 5, 6 model, then we continue to overkeep on giving orders keep on design things as and when it comes by. And on the basis that they mart wherever necessary, even if it has to be scaled up, if you know we need to bring in more, we will certainly -- but in case if it is not desired, we will hold on also some time. We just wait for things to settle down and as per the needs we create them.

Moderator: We have the next question from the line of Sandeep Mane from FM Research.

Sandeep Mane: Sir, my first question is, can you tell me which will be your best quarter?

Sushil Aggarwal: Yes. We normally expect as I said Q4 is normally a very good quarter. Even Q1 is normally a good quarter. But probably this year Q1 was not that good as it was expected to be. So Q2 is normally a little subdued quarter. And Q3 is an okay quarter. It's not bad. It's not too good either.

Sandeep Mane: What kind of demand you should see for next two quarters?

Sushil Aggarwal: Michelle, did you understand that please? What did he said? Next?

Sandeep Mane: What kind of demand you will see for two quarters I think?

Sushil Aggarwal: I'll put it this way, that there's not going to be an explosive demand for the product, but as usual, the continuous demand is certainly going on. There are two ways of looking at it. One is that we continue to sell our existing products and existing quantity. That's absolutely fine. We are comfortably able to do that. But when it comes to growth, we do not want to settle for 10%, 15% growth. We want to have a higher growth ratio because of, number one, we are cannibalizing another brand. Number two, we are also having an organic growth happening across country for that matter.

So I would put it this way, it is absolutely at our wit, our wisdom, our will and our courage to actually capitalize on the available market. But I can only assure and tell you that India being a beautiful, rich country with diverse population and so much of density that we have, I think it's right and high time now to be visible. And once we are able to do that, we should be able to capitalize on the market wherever it comes from.

Sandeep Mane: So can you just quantify regarding our order book?

Sushil Aggarwal: Regarding, our order book. So normally we are not a manufacturing, let's say in an industry, we're probably the order books. Our impact delivery mechanism is reasonably fast. We fulfill

our orders in less than 24 hours. That's how we are probably one of the most preferred company in the country today with the distributors. I mean I don't know which area you are operating from but in case if you speak to someone in Gujarat or Maharashtra we are a little scanty at this point and we have distributors in Virar and we have some distributors in Nashik, Nagpur and so on and so forth. But nevertheless in case if in North India if you have a hold, if you were to ask somebody, "What do you know about AI or about Avro furniture?" They will let you know what kind of presence we have. So I think we will certainly try to be as much present as possible wherever we can.

Sandeep Mane: How many distributors do you have? Sir, we have close to about 200 distributors at this point of time and about 20,000 retailers which are connected with us of which more than 8,000 are not data also we have. In fact, we have a database of more than 50,000 dealers across country who are in the plastic furniture industry. It is just that we have to have resources to onboard and touch them and ensure that we can bring them in our fold.

So there are two things. One is deep distribution and the other is branding. The moment we are able to do this thing particularly reasonably well, I think we would probably be cruising at being the fastest company in the country to grow.

Sandeep Mane: In which region? We have highest number of distributors.

Sushil Aggarwal: Our major distributors are based out of Northern India, of which Uttar Pradesh state, where every city we have distributors. I think more than about 70 distributors we must be having in Uttar Pradesh alone.

Sandeep Mane: My question is, we have in which region we have highest number of distributors?

Sushil Aggarwal: That's what I said sir. In Uttar Pradesh, because Uttar Pradesh is a very densely populated state, so we have more than 75 distributors in Uttar Pradesh alone. Plus we are also operating out of Delhi, Punjab, Haryana, Himachal, Uttarakhand, J&K etc. Rajasthan. Gujarat also, we are also in Madhya Pradesh, Chhattisgarh, now we have gone to Odisha, Assam, West Bengal, Bihar, Gujarat, sorry Bihar, Jharkhand. Now we are also in Karnataka, Tamil Nadu and Kerala. We are also tapping Andhra and Telangana.

Sandeep Mane: But most of the business are in our UP?

Sushil Aggarwal: Absolutely. Because it's been our hometown, home state, naturally. And we've been in existence for two decades. So we were actually focused as Uttar Pradesh company. But because of our product range being different and good, good, we got an acceptability across. So we started understanding why should we not focus, why should we not expand our footprint and that's why we did the process of doing so.

Sandeep Mane: Sir, can you tell me which are the best selling products online? Can you give any idea? Online?

Sushil Aggarwal: Yeah, you can certainly sir. There's a chair called a 9955 of Avro. Then there's Viva, Viva table, beautiful table, you know, you must certainly buy that sample and check that. In fact, there are a lot of products, there's something called an Orchid. It's a beautiful product, you know, with a cushion chair and all that. Very, very different.

And, you know, very affordable also. In fact, our prices across other competitors are 40% cheaper than in any of these national brands. And that you can find it online itself. Just go and flip on Amazon and type plastic furniture and you'll find us and start comparing with other companies. And you'll find that they know.

And probably we are the only company in the entire country to offer three years guarantee on a lot of our selected products, which we believe and assume are of a good quality. And that's why we are not only the first, but the only company probably. There are a couple of people now who started following, but never just unlike us. And that too without increasing a penny, because we believe in our quality.

Sandeep Mane: What is the number of SKUs we have online?

Sushil Aggarwal: Online there will be more than about 15 to 20 SKUs because we do not want to put everything and anything online because availability is an issue. We do not want to short change that. Earlier we had a relationship with the cloud and now it's easy to tell because they are handling the sales in the case of Amazon. Flipkart will do directly. So we normally list about 15 to 20 faster selling products and products which are not normally available with other competitors.

Sandeep Mane: Sir, can you tell me what is the average ticket size online we have?

Sushil Aggarwal: Average ticket size online? I think it will be somewhere about 500 rupees plus sir. Still to be very honest, I never asked this question to my own team, average ticket size, but per piece products value would be 500 rupees. But I think average ticket size could be, you know, what we are trying to do now, Flipkart we're selling online directly, but on Amazon we are selling through Easy Retail, which was Cloutail earlier. So there, you know, we give them in bulk and then they sell it on their own. But in terms of, in terms of let's say Flipkart, I think it will be as much as about 3,000 to 4,000 a piece, average ticket size.

Moderator: We have the next question from the line of Siddharth Ahluwali from Kojin Research. That's the follow-up question.

Siddharth Ahluwali: So what sales volume that we have achieved during the quarter?

Sushil Aggarwal: What is the volume we have achieved in the quarter?

Siddharth Ahluwali: Yeah, sales volume?

Sushil Aggarwal: Sales volumes in terms of quantities are? Let me just check that and let you know. One second, I'll just give you that. How much is that? I think it's close to about, one second. Plastic furniture

is about 5,60,396 pieces. And Q2 only, not half year, only Q2. And Granul is about 663,500 kgs. We also sell steel almira, let me tell you. That's of course in a very cold stage at this point of time. We are not doing aggressively about 170 steel almira we sold.

Siddharth Ahluwali: And what is the average working capital cycle we have?

Sushil Aggarwal: Average?

Siddharth Ahluwali: Working capital cycle? I'll put it this way that normally we're in the region about 30 to 45 days earlier but now I think they're gone to about 60, 65, 70 days or so because of this particular let's say downturn that happened but we progressively believe that we should be able to bring it down to 45 or maximum 60 days or a period time in the next Q1, Q3, Q4.

Siddharth Ahluwali: So what about total capacity?

Sushil Aggarwal: Total capacity we are utilizing at this point of time, whatever capacity we have. And we are also outsourcing the furniture from a company which is an associate company and ensuring that all this particular product category that SKU range that we are offering, we are able to deliver that. So we are utilizing Avro's full complete capacity.

Siddharth Ahluwali: What is current capacity utilization for H1? And what is the movement on H?

Sushil Aggarwal: What I can do is in case, you know, because I do not want to give you any figure which is out of context. In case if I can have you connect, probably I'll try to give you absolute clear data on Q1, Q2, everything including H1 last year to this year. All this data I'll give you. So it will substantiate very, very clearly with a percentage marked in front of that. So give me some time for that. Because I do not want to give you an off-hand figure. I have some figure in front of me, but I'm not very-- I want to give very specific data so that you get a complete hang of it.

Moderator: As that was the last question for today, I would now like to hand the conference to Mr. Vasupal Shah from Kirin Advisors for closing comments. Thank you and over to you, Mr. Shah.

Sushil Aggarwal: Just one second, Michelle. Thank you very much. I would like to thank Siddharth Ahluwali, Devesh, Dilip Chaturvedi, Sandeep ji, all of you and all those other friends whoever not asked question. I would put it this way that you know as an aspirational company we are poised to grow not only from the standpoint that you know we carry a huge large great experience in terms of the product category that we're into, but we also have a leadership team in terms of the two sons that we have as well as the kind of leadership team that we have down the line to ensure that over a period time this company becomes a legacy company and ensure that you know it takes and it serves the interest of the stakeholder as well as the shareholders.

We are very much poised, we are very much let's say upbeat, we are confident and cruising ahead with a great amount of élan and confidence. And today the kind of connect that I know, especially I have across country has given us so much of impetus, strength, knowledge, understanding and confidence that I'm able to take a right kind of decision. I'm not saying 100%



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decisions go right, but whatever decision we take, we take it with a great amount of right spirit and with the amount of morality that we have. So over a period of time, depending upon the kind of blessings, the kind of, let's say, trust, the guidance that you people would do to us will enable us to create and become an institution which will serve the interest of the nation and the society. This is my commitment. I'd like to-- and I'd like-- I remain indebted to all of you for that. Thank you very much.

Vastupal Shah: Yes. Thank you. Thank you, everyone, for joining the Conference Call of Avro India Limited. If you have any queries, you can write us at info@kirinadvisors.com and once more many thanks to management team, Mr. Sushil Aggarwal and all the participants for joining the conference call.

Sushil Aggarwal: Thank you, Michelle. Thank you, Vastu. Thank you, all of you. Thank you. Have a nice day.

Moderator: Thank you sir. On behalf of Kirin Advisors, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.