



Duroply Industries Limited

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Ref: 5404/24-25/0055

August 14, 2024

Department of Corporate Services

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

Scrip Code: BSE: 516003

Sub: Transcript of the Earnings Webinar held with respect to the Unaudited Financial Results for the quarter ended June 30, 2024

Dear Sir/Madam,

With reference to our letter no. 5404/24-25/0044 dated 2nd August, 2024 regarding intimation of the Q1 FY 25 Earnings Webinar, post declaration of the Unaudited Financial Results for the quarter ended 30th June 2024, 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
Company Secretary

Encl: a/a

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Duroply Industries Limited

Q1 FY25 EARNINGS WEBINAR

MR. AKHILESH CHITLANGIA, MD & CEO

MR. PAWAN KUMAR VERMA, CFO



NAVIN B. AGRAWAL

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TUESDAY, AUGUST 13, 2023

- **Mr. Navin B. Agarwal :**

- Good morning ladies and gentlemen. It's my pleasure to welcome you on behalf of Duroply Industries Limited and SKP Securities to this financial results webinar. We have with us Mr. Akhilesh Chitlangia - MD and CEO and Mr. Pawan Kumar Verma - CFO. This webinar is being recorded for compliance reason and during the course of discussion there may be some forward looking statements or numbers. These must be seen in conjunction with the risks that the company faces.
- We'll have the opening remarks from Mr. Chitlangia followed by a Q&A session. Thank you and over to you Akhilesh.

- **Mr. Akhilesh Chitlangia :**

- Thank you. Good morning and a warm welcome to everyone for joining our earnings webinar for first quarter FY25. Founded in 1957, Duroply has over the years built a strong brand in the industry and is recognized across the country for its high standard of quality which has been maintained over the years. Duroply recently celebrated the start of its 68th years in operation and we feel proud to have played a small yet meaningful part in India's growth story for over the last six decades. The company continues to be focused on expanding its reach both in existing and new markets with vigour. In the fourth quarter of FY24, the Board of Directors approved the infusion of Rs. 43.9 crores of equity by way of preferential allotment of equity shares and warrants. Of this, Rs. 28.9 crores was received right at the end of March against the preferential allotment of equity shares and 25% of the warrants issued. With this infusion over the last two years, the company's balance sheet will be strengthened by over 72 crores of net worth inclusion. This will allow us to rapidly scale business with improved margins.
- On the business front - during Quarter 1 FY25, Duroply has reported a revenue of Rs. 84.82 crores, an increase of 11.8% from the same period last year, up 0.4% from Q4 FY24. This also marks our all-time highest quarterly revenue. The business reported a profit before tax of Rs. 1.26 crores and a profit after tax of Rs. 3.32 crores. The increase in PAT was due to change in tax structure which has reduced the deferred tax liability of the company. On year-on-year basis, our profit before tax declined by 28.17% from 1.75 crores in Q1 FY24 to Rs 1.24 crores. In Q4 FY24, we reported a loss of 2.26 crores before tax.
- Q1 marked plenty of challenges, especially due to heat waves, labour shortages and general elections. Despite this, we reported a strong growth in Q1 on a year-on-year basis. This bodes well for the upcoming quarters and we expect our growth rate to further increase. For the quarter, revenue from in house manufacturing in Rajput stood at 49.53 crores, up by 4.6% year-on-year basis and down 6.4% quarter-on-quarter basis. Revenue from outsourcing stood at 35.28 crores, a growth by 23.8% year-on-year and 11.9% quarter-on-quarter.
- Our COGS compared to previous quarters saw an improvement ending at 65.9% for the quarter as compared to 66.1% in Q1 FY24 and much better than the 67.8% in Q4 FY24. The improvement in our margins was due to better procurement and stronger product mix this quarter. This is at a time when the industry is facing severe raw material shortages and inflationary pressure. I'm sure

with a strengthened balance sheet and over six decades of experience in the industry we will only further improve.

- On the EBITDA margins, for Q1 FY25, it stood at 4.7% of sales as against 5.8% in Q1 FY24 and against 1.7% against Q4 FY24. The company saw a significant increase in its employee expenses which stood 11.2% of sales as compared to 10% for the entire previous financial year. The company is looking to invest in expanding its team across India to better cater to its demands. This investment, I am sure will bear fruit in subsequent quarters. Our marketing spend stood moderated at 3.3% of sales, same as that in the same quarter previous financial year and down from 6.4% of sales in Q4 FY24. Due to market conditions, this was moderated and is expected to increase in subsequent quarters to keep our growth momentum moving in the right direction.
- To boost the sales of our premium products, after significant research, we had recently launched Duro Advantage Lifetime Guarantee with 9X safety on select premium products. This was rolled out throughout all markets across fourth quarter FY24 and the response has been extremely positive from the trade. We were expecting strong growth in our premium segment and this is reflected in double digit, that is 11.3% growth in the Duro range of products on a year-on-year basis. Our foray into the mid-priced market through brand tower saw strong growth of over 18% in the first quarter over the same period last year.
- We continue to work closely with our channel partners and influencers to further strengthen our reach. Our focus is on better sourcing, deeper and wider channel expansion across India, BTL activities, digital marketing and always serving our esteemed customers with the highest standards of quality and services. With this intent, I am sure the future of Duroply is bright. I now request Mr. Pawan Verma, our CFO to take you through some of our numbers.
- **Mr. Pawan Kumar Verma :**
- Thank you, sir and good morning to everyone. Let me take you through some of the key financials for the last quarter. For the quarter, our COGS stood at 65.9% as compared to 67.8% in the previous quarter. Same quarter last year, our COGS stood at 66.1%. Employee cost stood at 11.2% of sales in Q1 FY25 as compared to 9.9% in Q1 FY24 whereas in Q4 FY24 it was around 9.7%. Marketing spend has been stood at 3.3% of sales as compared to 3.3% of the sales in Q1 FY24 and it was 6.4% of sales in Q4 FY24. Interest cost as a percentage of sales stood at 2% of our sales as compared to 2.4% same quarter last year and 3.2% of sales in Q4 FY24. Our debtor days has stood at 39 days, same as last year. Inventory days there is a reduction to 142 days of consumption as compared to 149 days of consumption during the last quarter. Creditor days also decreases to 82 days as compared to 109 days of the consumption. As a result, our cash conversion cycle has increased to 99 days in Q1 FY25 from 79 days in FY24. Thank you.
- **Mr. Akhilesh Chitlangia :**
- Thank you, Pawan. Q1 FY25 saw strong growth in spite of challenges on many fronts for us. I'm confident that with the strengthened balance sheet, new growth initiatives focus on better procurement and serving our esteemed customers better, Duroply is now poised to grow rapidly with improved margins.
- With that, Navin, I think let's open the floor for questions.

- **Mr. Navin B. Agarwal :**

- Thank you, Akhilesh and Pawan. Friends, we now open the floor for the Q&A session. Anyone wishing to ask a question, please raise your hands and we'll take you.

- Friends, anyone with a question, please raise your hand. We'll unmute you and take your question.

- Anyone wishing to ask a question, please raise your hand.

- We'll just wait for a couple of minutes.

- Okay. We have a question from Dilip Sahoo. Dilip, please unmute yourself and go ahead.

- **Mr. Dilip Sahoo – Analyst:**

- Yeah, a couple of questions. One is, I think good set of numbers at least. Congratulations. I think in a tough environment you have delivered. My question is regarding, it's more qualitative. Now that we have got the base, I think firmly, you know, below our feet what would be the next pit stop you are looking at. I think, most of the matrices you had talked about in the last annual report. You are progressing very well. So, is this like a gliding path or is there like, you have one more stop where you would like raise some further capital and do some further strengthening of the balance sheet?

- **Mr. Akhilesh Chitlangia :**

- Thank you, Mr. Sahoo. So, our expectation is that there will be a significant gap between this pit stop and the next one. The idea is to scale the business, make it significantly profitable, and then have the business in a position where it can self-sustain its growth and thereafter take a call after maybe a couple of years or 3-4 years' time period to see whether the business needs to raise large amount of capital and what its future expansions are. But the focus for the next couple of years for sure is to build on this base, grow rapidly, grab market share, take advantage of the urbanization, and people are spending more and more on interiors. So serve them and just make our balance sheet stronger, get the numbers going in the right direction. So that's what our goal for the next couple of years will be.

- **Mr. Dilip Sahoo :**

- So you will basically do that through internal accruals, that's what we are saying for some time to come.

- **Mr. Akhilesh Chitlangia :**

- Yeah. Yes, yes. So internal accruals, working capital debt, our balance sheet is now strengthened. So there is scope of raising some working capital debt in the near future and of course, definitely internal accruals. We have to make the company stronger and have significant amount of internal accruals in the near future.

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- **Mr. Dilip Sahoo :**
 - Very good. So does it mean, I mean, the implied growth will be around 14-15, like mid-teens kind of numbers?
 - **Mr. Akhilesh Chitlangia :**
 - Mid-teens. We're gutting for a little higher than that. But I think it would be safe to say that a mid-teens is a good benchmark to have. And I think with the first quarter the way it's gone, I think, we should be achieving that. So yes.
 - **Mr. Dilip Sahoo :**
 - And in terms of product categories, you have got the premium and let's say economy or maybe mid premium. Both you are looking similar potentiality for near future I mean, 3 to 4 years kind of stuff. You are looking at the growth being similar. You don't expect one at the expense of other anyway, right?
 - **Mr. Akhilesh Chitlangia :**
 - Not really Mr. Sahoo. So the thing is, the premium segment will of course not grow at the same pace as the mid segment brand will. If you see over last year, I think mid segment grew by 40%. Premium was flat. We understood there was a need to do some marketing on the premium side, upgrading the product. As a result, we've seen some strong growth in that segment. But the medium segment has slowed down a little bit. Both have to grow. The mid segment has to grow faster than the premium. For us, the mid segment accounts for less than 15% to 18% of our total revenue, whereas for other competitors, it occupies nearly 50% of their total revenue. So the growth on the mid segment will have to be disproportionately bigger as we go wider and wanting to cater to a larger audience and build an organization with a much larger top line than what we currently have. But we also expect steady growth in the premium segment as well. But the mid segment will be definitely faster growing than the premium segment. I do not think there will be any cannibalization or there may be very limited cannibalization simply because there's a different product and feature offering between Duro, which is the premium brand, and Tower, which is the mid segment brand.
 - **Mr. Dilip Sahoo :**
 - Sure. And as we go along, I'm sure the accruals will be more than the expenses. So do you think the ROC which is currently I think, 9%, if I remember, in the presentation, will it go to like 13-14-15% kind of ROC?
 - **Mr. Akhilesh Chitlangia :**
 - I would hope so.
 - **Mr. Dilip Sahoo :**
 - In the mid-term, right?

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- **Mr. Akhilesh Chitlangia :**
 - Yes, in the midterm.
 - **Mr. Dilip Sahoo :**
 - Yeah, yeah. That's great. One last question regarding the working capital. Our inventory days has come down, but our payables have come down dramatically. That's why I think the number has gone up to 99. So does that impact the gross margin....that there's improvement in the gross margin where did it come from, the gross margin improvement?
 - **Mr. Akhilesh Chitlangia :**
 - The gross margin improvement came from paying our suppliers better.
 - **Mr. Dilip Sahoo :**
 - Yeah. That's why the payables have come down dramatically.
 - **Mr. Akhilesh Chitlangia :**
 - Yeah. If you see a payables a few years ago, they stood at some, I think, 150-160 days, 170 days, if my memory serves me right. We got it down to 119. We got it down to 109. Now it's just slightly above 80 days. And we're very focused that, you know, we need to be paying our suppliers on time if we need to drive our product margins in the right direction. And that's what we're very focused on.
 - Our days debtors continue to remain on the lower side of the industry, which is also very good for us. That means we have the right type of channel partners. Inventory days have to be moderated better, we are conscious of that and we are working on that. So I think on that front also there will be improvement which will be visible in the near future.
 - **Mr. Dilip Sahoo :**
 - Sure. So you use this payables as a tool to increase this thing as well as it must be giving a lot of flexibility in terms of how you negotiate with your vendors and the partners. So basically we're exhausting the tools, right, to get the gross margin, etc. So to go to the industry leading gross margin, whatever the gap is, what are the things we will do to bridge. Means, all boiling down to really to the ROC, right? So what are we going to do additional to go to the industry leading, I'm not talking about the number one guy, but at least the top three, four guys. I mean, we are one of the top three, right? So to reduce the gap, what are the tools you think we have further?
 - **Mr. Akhilesh Chitlangia :**
 - Mr. Sahoo, that's a very interesting question. First, our priority this quarter was to build credibility with the suppliers and I think we've achieved that. We've not fully realized the improvement in our gross profit margins because we also were holding higher cost inventory from the previous financial year which has been consumed this year. I think more improvement on the gross profit margin should be visible. Having said that, our industry is going through a tremendous shortage of timber. I think if you look at the other players and the results that have come out, gross profit

margins, there's a lot of pressure on them. But I think we still have a lot of scope of further improving on that. But a large part of our margin improvement on the overall basis will come from driving volumes faster than what our costs are going to go up by. So the leverage on the overheads. So it's going to be a combination of the two. And I think if we can get into the high teens growth, the mid-teens growth, and consistently deliver on that over the next couple of years, I think the margins will start going up and with scale, we are also going to be able to procure better in addition to payment terms. So it's going to be a virtuous cycle which hopefully propels us in the right direction.

- **Mr. Dilip Sahoo :**

- Right. And one last question, if I may. This has been a tough quarter, I think for everybody in the industry. It's also a lean quarter, right, for us. So how do you see in terms of competitive intensity on the ground level? Is it that it is as bad as it can get and it can only be better from here? From competitive intensive perspective.

- **Mr. Akhilesh Chitlangia :**

- Mr. Sahoo, okay, let me put it in another way. See, our industry is estimated at 25 to 30,000 crores. Let's just take 30,000 crores as an industry side. The organized sector has a 25% market share. 75% lies with the unorganized sector. Whatever the competition be, with the income levels going up, I think there's enough space for everyone to grow and grow rapidly in this market environment. And our focus is on working well with the distributors, influencers and serving them better. And as long as we are focused on that, I think we should be fine. There will always be competition and competition is healthy. It keeps us on a toe. It keeps everyone on their toes. So, it is what it is. There's nothing to change about that. So our focus is just doing better on what we are good at and I think that should see us.

- **Mr. Dilip Sahoo :**

- Very good. Thank you very much. On a lighter note, Akhilesh, when are we going to have a brand ambassador like, you know, Akshay Kumar or Shah Rukh Khan or something like that? When will that time come?

- **Mr. Akhilesh Chitlangia :**

- Well, I hope we can grow without having them on Board. That would be nicer. We keep an eye on that. Yeah.

- **Mr. Dilip Sahoo :**

- Yeah. Good, good. Thank you. And congratulations on a very good quarter at least.

- **Mr. Akhilesh Chitlangia :**

- Thank you, Mr. Sahoo.

- **Mr. Navin B. Agarwal :**
- Thank you Mr. Sahoo. We move on and take the next question from Jojo Shaju. Jojo, please unmute yourself and go ahead.
- **Mr. Jojo Shaju – Analyst:**
- Thanks for the opportunity, sir. First of all, happy to see that we have grown 12% on Y-o-Y basis. So congrats on that. Sir, my first question is that you mentioned we have received 26 crores from this preferential allotment. So I just want to check where exactly we have spent this amount. Can you give some details?
- **Mr. Akhilesh Chitlangia :**
- We received Rs. 28.9 crores. This entire amount was raised for working capital and it's being used to fuel the company's working capital requirements.
- **Mr. Jojo Shaju :**
- Okay. So the entire amount is going to working capital. And for the rest of the money which we are going to receive, are we going to spend again for the working capital spend?
- **Mr. Akhilesh Chitlangia :**
- Yes. The purpose of the raising this capital was for working capital and that's what the plan usage of this capital is.
- **Mr. Jojo Shaju :**
- Okay, sir. Got it. And sir, what is our total capacity as of now, in-house capacity?
- **Mr. Akhilesh Chitlangia :**
- In-house on annualized revenue basis is approximately in the range of 290 to 300 crores. Last year, our manufacturing revenue was at about 195. So there is significant scope for us to debottle neck there.
- **Mr. Jojo Shaju :**
- But what would be in terms of this million square, if you can give that number?
- **Mr. Akhilesh Chitlangia :**
- I would not like to disclose that at this point of time.
- **Mr. Jojo Shaju :**
- Okay, sir, no issue. And sir, have we done any price hikes in this quarter for any of our segments?

- **Mr. Akhilesh Chitlangia :**
- Not in the first quarter. We've taken a price hike for Quarter 2, which is in the range of 2.5 to 3%.
- **Mr. Jojo Shaju :**
- Okay. Have you done it in both our Tower brand and Duro segment?
- **Mr. Akhilesh Chitlangia :**
- Across. That's a weighted average price increase that we expected. Yeah.
- **Mr. Jojo Shaju :**
- Okay. Got it, sir. And just one last question. What would be our marketing spend target for the entire financial year?
- **Mr. Akhilesh Chitlangia :**
- The target would be slightly north of 4%.
- **Mr. Jojo Shaju :**
- 4% of the sales.
- **Mr. Akhilesh Chitlangia :**
- Yeah.
- **Mr. Jojo Shaju :**
- Okay, sir. Thank you. That's from my side.
- **Mr. Navin B. Agarwal :**
- Thank you, Jojo.
- Friends, anyone with a question, please raise your hand and we will unmute you and take your question.
- Anyone wishing to ask a question, please raise your hand.
- We will wait for a couple of minutes for some questions to line up.
- Friends, anyone with a question, please raise your hands.
- As there are no further questions, may I hand over the webinar back to Akhilesh for his closing remarks?

- **Mr. Akhilesh Chitlangia :**
- Thank you, Navin. And thank you, everyone, for joining our Q1 FY25 earnings call. We believe in India's story, and there will be significant demand for home interiors. The strength of our brand gives us confidence that we will grow and play a large part in this growth story. For us, you know, this journey of growth, though we're 68 years old, has truly just begun once again, and there's a long way to go. We look forward to seeing you at the next earnings call. Thank you.
- **Mr. Navin B. Agarwal :**
- Thank you very much. On behalf of SKP Securities, thank you very much, Akhilesh and Pawan, for taking time out to interact with investors, and we look forward to hosting you again in the next quarter. Thank you, ladies and gentlemen, and have a wonderful day.

END OF TRANSCRIPT