



Duroply Industries Limited

113 Park Street, North Block 4th Floor
Kolkata-700016, Ph: (033) 22652274



Ref: 5404/23-24/0108

February 22, 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 and nine months ended December 31, 2023

Dear Sir/Madam,

With reference to our letter no. 5404/23-24/0098 dated 14th February, 2024 regarding intimation of the Q3 FY 24 Earnings Webinar, post declaration of the Unaudited Financial Results for the quarter and nine months ended December 31, 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
Company Secretary

Encl: a/a

Toll Free: 1800-345-3876 (DURO) | E-Mail: corp@duroply.com | Website: www.duroply.in

Find us on:    [duroplyindia](https://www.instagram.com/duroplyindia)

Regd. Office: 9, Parsee Church Street, Kolkata-700001 • CIN: L20211WB1957PLC023493



Duroply Industries Limited

Q3 FY24 EARNINGS WEBINAR

MONDAY, FEBRUARY 19, 2024

MR. SUDEEP CHITLANGIA, MD

MR. AKHILESH CHITLANGIA, ED AND COO

MR. PAWAN KUMAR VERMA, CFO



NAVIN B. AGRAWAL – HEAD, INSTITUTIONAL EQUITIES

+91 98200 27446 | NAVIN.AGRAWAL@SKPSECURITIES.COM

– **Mr. Navin Agrawal :**

– Good morning, ladies and gentlemen. It's my pleasure to welcome you on behalf of Duroply Industries Limited, SKP Securities to Duroply's Q3 FY24 Earnings Webinar. We have with us Mr. Sudeep Chitlangia, Managing Director, Mr. Akhilesh Chitlangia, ED and COO, and Mr. Pawan Kumar Verma, CFO. This webinar is being recorded for compliance reasons and during the discussion there may be certain forward-looking statements. These must be viewed in conjunction with the risks that the company faces. We'll have the opening remarks from Mr. Chitlangia followed by Q&A session. Thank you and over to you, Sudeep ji.

– **Mr. Sudeep Chitlangia :**

– Thank you, Navin ji. Good morning to everyone and thank you for attending our earnings webinar for Q3 FY24. During Q3 FY24, Duroply has reported a revenue of 79.82 crores, an increase of 11.3% from the same period last year. Down 4.2% from Q2 FY24 and a profit after tax of 31 lakhs. For the year, revenue stands at 239 crores, up from 218.12 crores, a growth of 9.6%. With a PAT for nine period, at 2.24 crores as against 2.97 crores during the same period last year. We're happy to inform that the last Board meeting held on 14th February, the Board of Directors have approved the infusion of 43.9 crores of equity by way of preferential allotment of equity warrants - equity shares and warrants. This infusion is pending for our shareholders and regulatory approvals. Once completed, in addition to the earlier infusion of 28.03 crores, the balance sheet will be substantially strengthened and provide the necessary capital to grow the business and improve the operating margin significantly. I would also like to inform that the company - related to its operations in Assam had been served the demand order on excise duty, which had been successfully contested by the company at the lower levels. The department had preferred an appeal in the CESTAT, which has been recently vacated. Hence this contingent liability which has been mentioned in the balance sheet will stand – will be removed going ahead.

– 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 substantially. The company has been continuously working on expanding its market presence gradually over the last few years and will now focus on further consolidating the existing markets as well as entering into newer markets and provide the people with its high-quality products to meet the demand for sale. It also gives me great pleasure to inform you that the Board has approved to elevate Akhilesh Chitlangia as the Managing Director of the company with effect from 1st April, 2024 and while I will step into the role of being the Executive Chairman from the same date. This transition will ensure that the growth plans of the company move at a faster pace, enabling higher returns to all our investors.

– I will now request Akhilesh to speak more about the business.

– **Mr. Akhilesh Chitlangia :**

– Thank you. Thank you everyone and good morning. So, the further infusion of 43.9 crores subject to shareholders and subsequently regulatory approvals will be significant boost for the company. With this infusion, over the last two years, the company's balance sheet will be strengthened by over 72 crores of networth infusion. Like the previous equity infusion that happened, even this current infusion will allow us to rapidly scale business through our asset light model and in addition allow us to procure material on better terms thereby resulting in substantial margin improvement. On the business front, demand for our product is strong as reflected in our quarter-on-quarter growth. There are inflationary challenges due to shortage of timber, however, we on top of these issues and all mitigating steps are being taken. As

mentioned, we have had an increase in revenue on a year-on-year basis closing Q3 at 79.82 crores or 11.3% growth over last year and for the nine-month ended our revenue stood at 239 crores, up 9.6% up from the same period last year. For the quarter, revenue from in-house manufacturing in Rajkot stood at 46.94 crores. It's down 8.8% year-on-year and down by nearly 5% quarter-on-quarter basis. Revenue from contract manufacturing stood at 34.4 crores down, which is a growth of 62.2% year-on-year, though it's down 3% quarter-on-quarter.

- For the nine-month ended, revenue from in-house manufacturing stood at 143.7 crores, down 4½% year-on-year though revenue from contract manufacturing was up by 41%, ending in 95.3 crores.
- We have maintained our cost of goods sold in comparison to Q1 and Q2. Q3 numbers remain the same. This has been due to better through a mix of better sourcing and efficient supply chain distribution and price rationalization. The EBITDA margin for Q3 FY24 stood at 4.1% as against 4.4% in Q3 FY23 and it's down from 4.4% in Q2 FY24. The nine-month EBITDA stood at 4.8% as against 5.5% in the same period last year. On the sales side, a strategic decision to enter the mid-price market through our brand tower continues to pay dividend with tower sales growing by 54% for the nine-month FY24. Sale of Duro brand products improved with a 2% growth for the nine-month period. For the quarter ended December, Tower segment saw rapid growth of 28% year-on-year, but it's down 13% quarter-on-quarter. On the Duro brand, product grew by 8% on a year-on-year basis and was marginally down by 2% on quarter-on-quarter basis. Our marketing spends remained moderated at 3.6% of sales for the year, however, in the third quarter it was at 3.8%. To boost the sales of our premium product, after significant research, we had launched Duro Advantage, 9 layers of protection on select premium products. Overall response has been very positive and we expect a strong growth in our premium segments in the coming quarter. In addition, company had undertaken another marketing initiative which was the launch of Duro Beyond Blueprints, a podcast series covering the design philosophy and journey of leading architects and designers in India. The podcast is doing very well and is available on the company's YouTube page, Duro TV as well as Spotify. With this, 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 from the last quarter. For the quarter cost of goods sold stood at 66.1%, same as that in Q1 FY24 and Q2 FY24. Our cost of goods sold in Q3 previous year stood at 64.1%. This is largely on account of increased business from contract manufacturing, which contributed approx. 22% margin as compared to 40% to 41% on in-house manufactured goods.
- In terms of margins across the two sources, the manufacturing margin marginally improved to 42.4% as against 41.5% in Q2 FY24 for the nine-month period the manufacturing margin stood at 41.3%, whereas trading margin dipped to 20.4% in Q3 FY24 as compared to 23.3% in Q2 FY24. For the nine-month ended contract manufacturing margin stood at 22.5%. Margin in Rajkot has been steadily improving due to better sourcing of domestic and improved raw materials while challenges on the domestic raw material sites has pushed cost high on the contract manufacturing sites. Employee cost stood at 10.1% of sales in nine-month financial year 24 as compared to 9.9% in nine-month FY23.
- Debtor periods for the quarter stood at 41 days of the sales whereas the same was in the - 38 days was there in the previous quarter. Inventory days has been increased to 152 days of the consumptions from 133 days in previous quarter. Creditor days has also increased to 137 days of

consumptions from 123 days in the previous quarter, as a result of which the cash conversion cycle has increased to 55 days in Q3 FY24 from 47 days in Q2. The interest cost has been 2.3% of the sales for the nine-month ended FY24. Thank you.

– **Mr. Akhilesh Chitlangia :**

– Thank you, Pawan. So, third quarter is always challenging in terms of growth and margins due to the festive seasons across the country, but we have shown good growth in our sales while our margins are slightly subdued with this latest fund infusion subject to relevant approvals, we expect to see a faster growth and increase in our operating margins going ahead and Navin ji, I think with that we can open the floor with for questions, if there are any.

– **Mr. Navin Agrawal :**

– Thank you, Akhilesh. Friends, we open the floor for the Q&A session. Now, anyone wishing to ask a question request you to raise your hand. We'll unmute you and take your question. We will wait for a couple of minutes, while questions line up.

– Friends, anyone with a question, request you to raise your so we take up your question then. While participants just gather and ask questions, Akhilesh in case there is anything else that you would like to add please, while questions line up.

– **Mr. Akhilesh Chitlangia :**

– No, I think we've added. We're looking very positively to the future and this fund infusion will give us a significant boost in our growth plans in the future, but yeah. Let's see if there are any more questions on this front or on the business operations.

– **Mr. Navin Agrawal :**

– Yeah. So, opening remarks covered most of the areas that the investors were looking for right now.

– **Mr. Akhilesh Chitlangia :**

– Right.

– **Mr. Navin Agrawal :**

– Akhilesh, in case there's anything else that you want to add because right now there don't seem to be any questions from the investors. Okay, there is one. Tarun, please go ahead and unmute yourself.

– **Mr. Tarun Rathi :**

– Yeah. Good morning to the team, Duro. I have few questions like regarding to the previous liability - contingent liability to the clarification of 12 crores and what is the board's outlook for the further remaining amount?

– **Mr. Akhilesh Chitlangia :**

– May I request Sudeep ji to please take that. You're on mute.

– **Mr. Sudeep Chitlangia :**

– There is one major item which is pertaining to an income tax demand which has been raised for the assessment year 18-19. This demand is erroneous in nature and also by way of the conditions I mean the reasons that have been mentioned in the same, the same has been given a stay by the Calcutta High Court and there is a technicality issue due to which this matter has

remained pending. It is under the active pursuance with the department to resolve this issue and we expect it to get for the same to be sorted out very soon. Timelines, however, it is very difficult to mention when government departments side, but there is unlikely to be any major demand on the company on that front.

– **Mr. Tarun Rathi :**

– Right. Thank you and about the fund infusion, where do we intend to deploy the funds which we are about to raise?

– **Mr. Akhilesh Chitlangia :**

– I'll take that. So, the funds are coming for sorting out our working capital challenges and as growth capital. So, that's where we will be deploying the funds purely for better sourcing of materials through which we expect our margins to improve and also give us the necessary capital for growth in terms of debtors and credit and inventory growth, so on those two fronts.

– **Mr. Tarun Rathi :**

– Thank you.

– **Mr. Navin Agrawal :**

– Thank you, Tarun. Friends, anyone with a question, request you to raise your hand and we'll take it up. As there are no further questions coming up, what I've done is I've shared my e-mail ID on the chat with everyone. In case there are any questions, request you to please forward them to me on mail, we'll take them to the management and get back to you once we receive our report. Akhilesh, may I request you to make the closing remarks. Okay, there's one more question.

– **Mr. Akhilesh Chitlangia :**

– There's one more question.

– **Mr. Navin Agrawal :**

– There's one more question. Zhalak, please unmute yourself and go ahead.

– **Ms. Zhalak :**

– Good morning, Sir.

– **Mr. Akhilesh Chitlangia :**

– Good morning.

– **Ms. Zhalak :**

– I wanted to ask, you were giving guidance of 18% to 20% growth, but it is not seen in the numbers. So, when can we expect this growth?

– **Mr. Akhilesh Chitlangia :**

– Thank you for that question, Zhalak. Okay, so we had given this guidance of mid to high teens growth with the starting of the year. Thereafter, there were a lot of headwind within the industry as a result, our growth has been slightly lower than anticipated.

– I think with once this fund infusion comes through, which will significantly boost our working capital cycle as well as significantly help us improve our margins, we should then soon start seeing a high teens growth going forward, maybe from quarter one or quarter two of next

financial year. Mr. Tarun Rathi, can you please mute yourself. So, Zhalak I hope that answered your question.

– **Ms. Zhalak :**

– Yeah and any future guidance expectations?

– **Mr. Akhilesh Chitlangia :**

– As I said, we're looking to grow in the mid-teens to high teens level for the next financial year and we should also see an improvement in our operating margins at least a couple of percentage points on that front.

– **Ms. Zhalak :**

– Okay. Thank you, Sir.

– **Mr. Navin Agrawal :**

– Thank you, Zhalak. Friends, anyone with a question, please raise your hand and we'll take it up. Akhilesh, we'll just wait for a couple of minutes, those questions are lining up in a while.

– **Mr. Akhilesh Chitlangia :**

– Yeah, sure.

– **Mr. Navin Agrawal :**

– Friends, anyone with a question request you please raise your hand, so we can take up your question. Akhilesh, may I invite you for the closing remarks as there are no further questions. Sudeep Ji, Akhilesh.

– **Mr. Sudeep Chitlangia :**

– Yeah. I'll take that. Thank you everyone for joining us on this Q3 FY2024 earnings call. We believe in India story and there will be significant demand for home interiors. The strength of our brand gives us the confidence that we will grow and play a large part in this growth story. For us, as mentioned earlier, the journey had just started and there's a long way to go. Look forward to seeing you in the next earnings call. Thank you.

– **Mr. Navin Agrawal :**

– On behalf of all of us at SKP Securities, Sudeep ji, Akhilesh, and Pawan thank you very much to take time to interact with the investors. Friends, I've shared my e-mail ID, so in case you do have some follow up questions, please share them with me on my mail. Thank you very much and looking forward to hosting you again in the next quarterly results webinar. Thank you and have a lovely day.

– **Mr. Pawan Kumar Verma :**

– Thank you.

– **Mr. Akhilesh Chitlangia :**

– Thank you, everyone.

– **Mr. Sudeep Chitlangia :**

– Thank you.