DHABRIYA GROUP

DHABRIYA POLYWOOD LIMITED

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Ref: BSE/2024-25/19 Date: 28.05.2024

To,
The General Manager
Department of Corporate Service
BSE Limited,
P.J. Towers, Dalal Street,
Fort, Mumbai – 400 001

Scrip Code: 538715

Sub: -: Transcript of the earnings conference call for the quarter and year ended March 31, 2024

Dear Sir/Ma'am,

Pursuant to Regulation 30 and 46 read with clause 15 of Para A of Part A of Schedule III of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the transcript of the earnings conference call for the quarter and year ended March 31, 2024, conducted on 24th May 2024 for your information and records.

The above information is also available on the website of Company: https://www.polywood.org/newspaper-ad/

Kindly take the information on record.

Thanking You,

Yours faithfully,
FOR DHABRIYA POLYWOOD LIMITED

SPARSH JAIN
Digitally signed by SPARSH JAIN
Date: 2024.05.28 16:06:15 +05'30'

Sparsh Jain
Company Secretary
M. No. A36383

"Dhabriya Polywood Limited

Q4 & FY '24 Earnings Conference Call"

May 24, 2024

MANAGEMENT: **MR. DIGVIJAY DHABRIYA – CHAIRMAN AND MANAGING DIRECTOR – DHABRIYA POLYWOOD LIMITED**
MR. HITESH AGRAWAL – CHIEF FINANCIAL OFFICER – DHABRIYA POLYWOOD LIMITED

MODERATOR: **MS. RASIKA SAWANT - X-B4 ADVISORY**

Moderator: Ladies and gentlemen, good day and welcome to the Q4 FY24 Earnings Conference Call of Dhabriya Polywood Limited. 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 touch-tone phone.

Please note that this conference is being recorded. I now hand the conference over to Ms. Rasika Sawant from X-B4 Advisory. Thank you. Over to you.

Rasika Sawant: Thank you, Ryan. Good afternoon, everyone, and welcome to the Q4 and FY24 Earnings Conference Call today. Today on this call, we have Mr. Digvijay Dhabriya, Chairman and Managing Director, and Mr. Hitesh Agrawal, Chief Financial Officer. This conference call may contain forward-looking statements about the company, which are based on beliefs, opinions, and expectations as of today. Actual results may differ. The statements are not the guarantee of future performance and involve risks and uncertainties that are difficult to predict.

A detailed safe harbor statement is given on page number 2 of the earning presentation of the company, which has been uploaded on the Stock Exchange and Companies website as well. With this, I now hand over the call to Mr. Digvijay Dhabriya for the opening remarks. Over to you, sir.

Digvijay Dhabriya: Okay. Thank you. Good afternoon. Ladies and gentlemen, we welcome you all to the Q4 and the FY24 Earnings Conference. I believe you have an opportunity to go through the investor presentation on the financial results, which has been uploaded on the Stock Exchange. First, let me take you through the industry highlights.

The Indian PVC market is rapidly evolving, driven by the robust growth in the real estate sector, which benefits from the urbanization, rising income, and the government initiatives like Prime Minister Awas Yojana. With increasing demand for sustainable, durable materials, eco-friendliness, technological advancement have enhanced product quality, and there is a notable shift towards service-based and solution-oriented offerings. Supported by the government policies and infrastructure projects, our strategic market expansion and a strong dealer-network position, as well as the capital, capitalized on these growth opportunities, reflecting the dynamic nature of the industry and consumer preferences.

Highlights on the business operations. Consolidated revenue for the FY24 stood at INR212 crores, an increase of 24% compared to INR171 crores last year. Consolidated EBITDA for the year stood at INR31 crores, that is up by 68%. Consolidated PAT showed an increase of 66%, which is INR14 crores in FY24. We have seen a margin improvement of 390 basis points in EBITDA margins and 170 basis points in PAT margins. We have four established brands – Polywood, D-Stona, Dynasty and Studio Arezzo, which offers a complete solution for the 8th year and next year furniture and fittings.

We have seen growth across all our business segments. First, the PVC profile. Revenue stands at INR122 crores for FY24 compared to INR112 crores in FY23, that is a 9% increase. This segment contributes 58% of our top line. UPVC Windows. Revenue stands at INR54 crores for FY24 compared to INR38 crores in FY23, a 42% increase. This segment contributes 26% to our top line. Modular Furniture. Revenue stands at INR35 crores for FY24 compared to INR21 crores in FY23, a 67% increase. This segment contributes 16% to our topline. As mentioned earlier, in FY24, we delivered a 24% revenue increase compared to FY23. With well-improved operational and PAT margins, our focus on operational efficiency, new product launches, and increasing geographical presence has sustainably increased our return on capital.

We have an order book of around INR140 crores in our hand. Plus, for our project-related business, including PVC Windows and Modular Furniture, this order book represents about 40% of our revenue, with the remaining 60% coming from regular dealers and distributors. We are aggressively expanding our sales team also to increase market penetration across India. We are closely monitoring industry momentum and are excited about their untapped potential.

With strategic market presentation, penetration, and expansion across India, we anticipate continued growth. The upswing in the real estate sector directly contributes to our business growth. That is all from my end.

Now I request for the question and answer session. Thank you.

Moderator: Thank you. Our first question is from the line of Bhavesh Chauhan with Aditya Birla Money. Please go ahead.

Bhavesh Chauhan: Hi sir. So my question was, your employee cost as a percentage of revenues, when I compare with one of your peers, Kaka Industries, their employee cost as a percentage of sales is around 6% and we are at 10%. I think we are even higher, not 10%.

I think it's around 16%. So what is the reason and should it fall going forward as we grow sales?

Digvijay Dhabriya: We are working on this and with the increased volumes because we are continuously engaged in the research and development, you see most of the new trends we are inventing. So we have a large number of tool development and new product development is going on. So we are first in developing all the fluted panels and bringing the marble sheet in India.

So we have a big R&D capacity. So these are the things which are increasing our cost. But at the same time, we are becoming a market leader because of our abilities in this research and development side.

Bhavesh Chauhan: Okay. So how much we spend on research and development in absolute amount per year?

Digvijay Dhabriya: That is, we have not yet computed properly but because we are developing new tools and this is a part of the capital expenditure and some part, we cannot say that everything is coming under the research and development. Because we are developing the tools and new dyes and research and development is keep on going. That is a part of the work also.

Bhavesh Chauhan: So we maintain that we will continue to grow at 20-25%, right?

Digvijay Dhabriya: Yes.

Bhavesh Chauhan: In terms of sales. That is very short. And with what is the sustainable operating margins?

Digvijay Dhabriya: I think our CFO will answer this.

Hitesh Agrawal: Hi. Hitesh Agrawal this side. See regarding margins, this year we have put lot of efforts on controlling our cost and improving the margins with other means also. So we can say around 14-18% is the current range for the margin in our line of business.

Bhavesh Chauhan: Right. And what is the kind of capital expenditure that we will spend in let's say coming 2-3 years?

Hitesh Agrawal: See capital expenditure in last 2-3 years of our financials, we have done lot of capex in building the capacities related to our extrusion plant particularly. Last year we have added lot of capacities in Coimbatore plant and this year, in fact it is already done for our Bangalore plant also. From this quarter we are operating our Bangalore facility also for extrusion.

So next 2-3 years we are not looking as of now for any major expansion because we have already built it. So now we have to monetize all those things in terms of revenue. Regular capex you can say around INR8-INR10 crores, but it is regular capex because we are running around 5 plants. So certain maintenance kind of capex and new technologies come so we have to go for the capex and all. There is no major capex are not planned as of now.

Bhavesh Chauhan: And sir on your peer, which is the company that is most efficient or something you might feel like industry leader in the segment that you operate?

Hitesh Agarwal: We are basically into three kinds of products. One is the extrusion PVC profiles. As of now there is no peer except Kaka. Kaka is one who has come last year. So they are one where we can compare the extrusion activity. The other thing is the UPVC windows and doors. Fenesta which comes from the DCM Shriram Group, they are the basically trade leader in that.

And they are the only one in listed peers basically as of now. Other than that in the furniture segment there are several companies, but not exclusively in furniture line. So for example this Asian Paints they are also in modular kitchens and wardrobes and other is godrej is also there. So exclusive peers are not there basically.

Bhavesh Chauhan: Okay. Thank you. Thank you for answering these questions. I will join back. Thank you.

Moderator: Thank you. Our next question is from the line of Mahesh Atul with Atul Investment. Please go ahead.

Mahesh Atul: Sir, what was the out of INR212 crores revenue that you have reported how much was fluted panel?

Hitesh Agarwal: Yes, fluted panel this year is INR30 crores.

Mahesh Atul: How much INR30 crores?

Hitesh Agarwal: INR30 crores.

Mahesh Atul: So that means in the second half we have done exceptionally well in fluted panel if I am not wrong?

Hitesh Agarwal: Yes, actually that market for this fluted panel acceptance is increasing day by day, but we are putting a lot of efforts also. In fact in the earlier question Bhavesh ji was asking about the higher employee cost. So that is also one reason we have recruited a lot of persons in our sales team also. We are expanding our geographical coverage also. So market response is very good and that is the reason we have seen good volumes in second half also.

Mahesh Atul: And what kind of margins do you see in this fluted panel segment?

Hitesh Agarwal: See fluted panel definitely is better as compared to the traditional product or other products door or other profiles. So that is the reason we are more focused on fluted sales. We can say around 3% to 4% higher margin we can get when we sell this fluted panel as compared to other excluded profiles.

Mahesh Atul: And what is the peak capacity for this fluted panel that you have like on the revenue terms?

Hitesh Agarwal: See fluted panels it is basically part of our extrusion capacity. See extrusion we are having more than 500 different boards. So as of now we are extruding fluted panels at two facilities, Jaipur and Bangalore. And from this quarter we are starting sorry currently we are doing that Jaipur and Coimbatore. And from this quarter we are starting Bangalore also.

So capacity is huge basically in terms of revenue. There is no limitation as such. If we have the order for the fluted panels we can even shift the door profile capacity to the fluted panels. It is all about the total installed capacity in terms of metric terms.

Mahesh Atul: Okay, got it. That is okay and coming to this INR140 crores revenue, I mean the order book. So how much of this is in extrusion?

Hitesh Agarwal: See this order book is basically related to our project business. When we say our project business it is related to UPVC windows and modular furniture for the development developers. So that business is around 40% of our overall top line. See 60% is coming from the extrusion business which is our B2B business.

There is no long-term order book is maintained. It's regular orders are coming and we are executing it to our dealers and distributors. So this INR140 crores represents 40% of our top line related to UPVC Windows and modular furniture, modular kitchen, wardrobe. So it's not related to the extrusion basically. Extrusion business is a regular routine business. So on daily basis we used to get the order and get it executed maximum within 7 days' timeline.

Mahesh Atul: Alright, my last question if I can squeeze in. Sir, can you please just throw some light exactly like what exactly this fluted panel what I think is that it's a very premium product in the extrusion segment and in a broader perspective the usage of it is still very under, I mean people not having much knowledge on it.

So what are we doing to get this thing on the ground and how exactly you see the traction. I mean how exactly people are actually coming forward to use this thing. So can you please just throw some light on the market itself of this fluted panel because you say that it's the market leaders there so that's why?

Digvijay Dhabriya: That's why the simple thing is the education. This product fluted panel is basically a replacement for the wall panelling and the paint industry segment. So we are looking for some part of that industry and everywhere nowadays the interior, this fluted panel is a part of the interior designing of every house, every hotel, every office.

So the very big market we are anticipating a very big market requirements to come in the next coming time and a lot of new designs are also design and colors are required by the market. So this is a developing segment and we hope that this segment will create some revolution in the market construction industry demand also.

Mahesh Atul: All right, sir. I'll join back in the queue. Thank you.

Moderator: Thank you. Our next question is from the line of Manan Madlani with KamayaKya Wealth Management. Please go ahead.

Manan Madlani: Hi, sir. Thanks for the opportunity. So my first question is what is the volume growth for Q4 and for the whole year?

Hitesh Agarwal: Hello. Hello, Mr. Manan. You are talking about the volume growth of this product?

Manan Madlani: Across all products. I mean, I don't think we are maintaining volume growth for modular furniture, but for PVC profile and UPVC would be fine.

Hitesh Agarwal: For this PVC profile that extrusion plant that volume growth in Q4 see in the entire year we say 15% additional capacity utilization is there in this year.

Manan Madlani: Hello.

Hitesh Agarwal: Mr. Manan can you hear me?

Manan Madlani: Yes.

Hitesh Agarwal: Volume growth for the PVC extrusion you are asking that only or anything else you are asking.

Manan Madlani: Yes.

Hitesh Agarwal: Extrusion last year capacity utilization was around 66% for the whole year.

Manan Madlani: And in this fluted panel you earlier guided for INR100 crores top line by 27 and we have already achieved INR30 crores in this year. So, do you think we need to make any revision in the guidance?

Hitesh Agarwal: Revision sorry.

Manan Madlani: Is there any revision of the guidance of INR100 crores top line from the fluted panel segment?

Hitesh Agarwal: It was not the guidance basically. We have our internal projections. In another 3 years we are quite comfortable that we can increase the volumes of this fluted panel market up to INR100 crores. So, at this speed the market is increasing definitely it will be more, but we have not quantified it in terms of the guidance basically as of now because last year we have planned for around INR25 crores of business initially, but we were able to cross INR30 crores.

So, market acceptance is increasing. We are also putting our efforts in promoting this product, showcasing this through our showrooms and exhibitions, participation in digital modes also. So, everything is happening now. Definitely the product acceptance the way it is improving volumes will definitely be plus.

Manan Madlani: The next question would be on the PVC pricing. Can you just explain how it is behaving currently and in this quarter we achieved 49% on a gross margin basis. So, what would be the going forward tax number for this year or maybe the next year?

Hitesh Agarwal: The pricing of PVC remains a little bit fluctuating. We can say in a year, two or three times, there are scenarios when it goes up and when it comes down. Looking to the overall world scenario and the demand from the real estate and the European market for the PVC, we don't foresee any major changes in PVC rates.

Yes, definitely, since the last one or two weeks, there has been some fluctuations in the PVC prices. That is -- that we see it as a temporary phase due to certain logistic issues from China and some other countries. So, the PVC prices have been revised by market leaders once or twice. But it seems to be for one month or two months.

But if it remains continuous, then definitely we have the choice to revise our sales price also so that we can maintain our margins as per our projections.

Manan Madlani: So, this 49% gross margin is sustainable?

Management: Definitely, it is sustainable. See we are focusing on the high-margin products, so-called fluted panels. Apart from fluted panels, in fact, in extrusion, we are regularly working on developing certain furniture solutions also for the interior, for making the furniture components like kitchens, wardrobes, through PVC panels, apart from the traditional boards and all.

So, we are more focused on that. And for that, we are having a good market response, particularly in South India and the Northeast states. So, high-margin products are in our priority. So, this margin level is definitely sustainable.

Manan Madlani: Okay. And the last question would be, the Supreme Industry has recently announced that they are coming into UPVC window segment. So, there is already Fenesta in that segment. So, do you see, going forward, any pricing pressure from these competitors?

Management: No, we don't see. In fact, we take it in a positive way. The more and more large corporates comes into the trade, definitely it will be a positive scenario for the established players because it's not going to put pricing pressure on us. In fact, we will be adding certain edges only because their cost of sales is definitely higher than at what rate we can sell it.

In fact, it will be a market shift also towards the UPVC windows from the other products, board and aluminium. So, it will increase the volumes and demands.

Digvijay Dhabriya: Bring more awareness among the customers.

Manan Madlani: Sorry?

Management: When the large players come, they have their own budget for the promotions, advertising and all. So, they create a lot of awareness in the industry and at the consumer end also. So, the market share of UPVC windows will definitely get increased with the coming of new players like Supreme and others.

Manan Madlani: Correct. Okay, thank you. I'll join back in the queue.

Management: Yes, thank you.

Moderator: Thank you. Our next question is from the line of Sanjeev Damani with SKD Consulting. Please go ahead.

Sanjeev Damani: Congratulations, sir, for a fine set of numbers produced in this year and quarter. Actually, I would like to have some basic understanding of the things. So, when we say PVC profiles, is it a plywood sheet like 8x4 plywood sheet that we manufacture and sell or we make ready-to-use products only?

Digvijay Dhabriya: No, no. It is a different kind of section for the different uses. Just like the door chocker, there is one section. For the door frame, there is another section. So, if you cut it across, it is a section and a regular extrusion, a regular section is drawn with the PVC material for that particular use.So, this is what the PVC extrusion is. Just like pipe extrusion, this is a shape extrusion for different uses.

Management: So, it's not like a plywood sheet 8x4 which will be used by the carpenter to make his own thing. We make ready things to be used by the user.

Digvijay Dhabriya: We are just extruding these stoner sheets. These are the marble sheets where we are using the marble dust and PVC mix for extrusion and this is for the wall coverings and this is also used for the SPC flooring. Okay. So, this is SPC. So, these are the sheets which are extruded in 4x8 size and they are used on the wall. And we are developing some new designs and new colours and new uses in this line also. Okay.

Sanjeev Damani: So, sir, what I want to understand is what is SPC strength for? SPC flooring and SPC wall panels. SPC. What is SPC?

Digvijay Dhabriya: This is Stone Plastic Composite.

Sanjeev Damani: Okay. Stone Plastic Composite. Very nice, sir. So, now I want to understand that how much tonnage capacity that we have of PVC extrusion or PVC profile making. Can I understand this?

Digvijay Dhabriya: We have around 24,000 tons per year extrusion of PVC profile.

Sanjeev Damani: So, this includes all our factories right now…?

Digvijay Dhabriya: Yes. And we are expanding at Bangalore for additional capacities.

Sanjeev Damani: So, this expansion will be complete during this year?

Digvijay Dhabriya: This year almost it is completed and we are adding some new products also and some new machines also.

Sanjeev Damani: So, this 24,000 will go up in this year?

Digvijay Dhabriya: Yes. And we will add on some additional capacity in this, more than 10% to 20%.

Sanjeev Damani: Okay. That will get added. And now coming to utilization and comparison from last year to this year. Last year how much we produced tonnage and this year how much tonnage we produced?

Digvijay Dhabriya: In UPVC.

Sanjeev Damani: In UPVC or PVC profile all put together?

Digvijay Dhabriya: We have used over 55% of the capacity.

Sanjeev Damani: Okay.

Digvijay Dhabriya: Last year and this year we are expected. This year 66%. This year we have used 66% of our capacity.

Sanjeev Damani: And before last year it was 55% almost?

Digvijay Dhabriya: Yes, it was 55%.

Sanjeev Damani: Now I am coming to one more question. I am given to understand that few competitors are there. But in organized sector also lot of people are there in this line or majorly Fenesta which we talked about. Earlier it was once upon a time Sintex also used to do all these activities. And as you said Astral has also entered in these days. Am I right, sir? That Sintex also used to do this earlier?

Digvijay Dhabriya: A lot of European players are now entering into the market.

Sanjeev Damani: Okay.

Digvijay Dhabriya: This is PVC, right? For the PVC extrusion business. You are asking about PVC extrusion business, right?

Sanjeev Damani: PVC also UPVC doors and windows. These are the things which were being manufactured by I think Sintex also. And today your immediate competitors are those people who have taken over Sintex also these days. Sintex factories have been taken over by some other group. I don't recollect who has taken over.

Digvijay Dhabriya: Yes, Wellspun has taken over.

Sanjeev Damani: So they are now giving us competition these days? No.

Management: No. Welspun has taken over their water tank plant. We are not into that line basically. And extrusion mainly that organized players are there but they are mostly placed on the regional locations. For example, in South India we do have our plant and we do compete with two-three local players over there. They are organized. They are established for long term. And similarly in North also.

They are not in the listed space basically. But yes, maybe some partnership structure or the private limited structure. But companies are -- players are there in the industry.

Sanjeev Damani: Okay. So I mean…

Moderator: Mr. Damani, I am sorry to interrupt you there.

Sanjeev Damani: No, no. Thank you. I have taken a lot of time. Thank you very much for the reply you made. Thank you.

Moderator: Thank you. Ladies and gentlemen, in the interest of time, please restrict yourself to one question and one follow-up question. Our next question comes from the line of Abhay Jain with Hem Securities. Please go ahead.

Abhay Jain: So, sir, I was looking at the numbers. So the growth in the first nine months was quite impressive, sir. It was 30% revenue growth. But I think this quarter, the revenue growth has been quite subdued at 8.5%. So what's the reason for that, sir? Are we witnessing any slowdown or any seasonality? Can you give us some light on that?

Management: Yes, sir. There is no seasonality applicable to this. But sometimes in the fourth quarter, what happens then? We do the project business. Last year, for example, we will be able to get certain projects billing done. Because project billing happens through running bills, basically. So this year, we could not materialize two or three projects. So that INR2 crores-INR3 crores of revenue could not be booked in our books. So that may be the reason. But as such, there is no seasonal impact on any of our products.

Abhay Jain: Okay. And what are the kinds of orders which we are expecting, sir, in FY'25?

Management: Yes, sir. The market is growing rapidly. Real estate is doing very good. And we are quite optimistic to maintain our order book, in fact, in this growing manner only. We are working on a lot of projects which are in the bidding or finalization process. So the order book, we are quite optimistic that it will keep on increasing.

We have to have INR140 crores to get increased.

Abhay Jain: Sorry, sir?

Management: Currently, we are having the order book of INR140 crores. So by the end of FY'25, it will be more.

Abhay Jain: Okay. And, sir, what are sustainable EBITDA margins going ahead?

Management: Sorry, can you repeat, sir?

Abhay Jain: What are sustainable EBITDA margins going ahead, sir?

Management: In fact, as per our past experience and our calculations, 14% plus, plus is always a good margin for our industry. So, in fact, we are focused on more improvement. This year also we are looking for at least 2%-3% of margin improvement.

Moderator: Our next question comes from the line of Manan Madlani with KamayaKya Wealth Management.

Manan Madlani: So my question was, our cash conversion cycle has been reduced substantially in the last few years. So what would be the number for that on a sustainable basis?

Management: Mr. Manan can you repeat it a little loudly because we were not able to understand correctly.

Manan Madlani: So my question is, our cash conversion cycle, which came around 158 for this year, which was earlier somewhere around 220, one or two years back. So we have seen a significant drawdown in that. So what would be the ideal or sustainable number going forward for the next two years?

Management: In fact, we have shared earlier also, we are more focused on reducing our exposure to the debtors and better utilization of the inventory level. So this year we have been able to achieve it and with the increased top line, definitely it will be further improved. So maybe another current year, it's around 123 days for the stock and debtors.

So we are looking for a figure of 100, approximately 100 days debtors and stock levels.

Manan Madlani: 100 days for the inventory?

Management: Stock and debtors both.

Manan Madlani: Okay. Including both? And we were having one export order, if I'm not wrong. So any update on that?

Management: Yes, the export is going on for the modular furniture for the European brand we are working on. It's a continuous process and the export volumes are increasing regularly. In fact, the figure is not, as of now, it was not so much quantifiable. So it's around 1.5% to 2% only for the overall top line. But definitely this year we are looking for some better figures so that we can showcase it separately in our financials.

Manan Madlani: And is there any plan for a company to migrate to NSE main board?

Management: You know since… on the BSE, we are having some difficulties -- No, as of now, we have not thought about this, but definitely we have put this point in our minds. So we will discuss it with our known merchant bankers and all. What are the formalities, whether we are eligible to migrate or not. Yes, the option is there. We will definitely opt for that.

Manan Madlani: And one last question, if I can. So we were going to open Arizo Studio in Delhi NCR, in this first half. So what is the update on that?

Management: That is in line. We are working on that. As scheduled earlier also, in the first half '25, they will -- it will be fully operational. So work is going on, on that.

Manan Madlani: That's it from my side. Thank you very much and I wish you all the best.

Moderator: Our next question comes from the line of Bhavesh Chauhan with Aditya Birla Money. Please go ahead.

Bhavesh Chauhan: Sir, in terms of ambitious growth of 20%-25% sales growth, what are the key challenges? What could be the reason if we fell short of this target?

Management: We all know that the overall economy is performing well and particularly the real estate sector. So most of our product goes in the new construction and the renovation. So both are happening at a good pace as of now. Earlier, there were a lot of unsold inventories that were lying with the large builders and developers. So post COVID, everything has been finished up now. Actual user has come in place basically.

So whatever new projects are coming with the good players, builders and developers, everything is sold on day 1 or 2 in fact. So all those things are giving us the sense that in coming years, maybe another 4-5 years, we can have a vision that industry should grow at a better speed. On that basis only, we have worked out that 20%-25% growth is definitely achievable.

Bhavesh Chauhan: Okay. In terms of our exposure, is it more tilted towards affordable housing?

Management: Not exactly affordable housing. Our overall revenue comes from 3 different verticals. B2B business accounts for around 60% of the top line. So that is purely through dealers and distributors who basically execute the work of installing PVC doors, wall sealing, wall panelling, or other interior work at the consumer end. That is the 60%. And the remaining 40% out of that also, we can say around 25% comes from the retail business related to new PVC windows or modular furniture, B2B sales.

Only 30% business comes from the project side. So that project side is also not affordable as such. We are working with the large builder developers, even the flats whose worth is around INR8 and INR10 crores. We are engaged there either with the new PVC windows or with our modular kitchen and wardrobes. So in fact, there is no affordable housing. It's more in the project segment, it's the medium or you can say the upper class of housing.

Digvijay Dhabriya: Basically, you can see that because of the scarcity of the wood and woodworking is very costly nowadays and the maintenance of the wood products are very costly. So the labor is also very costly and not available, the trained labor is also not available. So all the substitute materials are gaining momentum. So we see a very good future of our products. And as they are very cost effective, they are very easy to maintain, and they are all 100% recyclable and environment friendly. So they are attracting all the youth and new markets.

Bhavesh Chauhan: Okay. And for the next three years, we don't have much capex plans. So should we expect our working capital days to actually fall over time?

Management: Yes, definitely. Long term debts are going to reduce and maybe working capital debts will get reduced or we will be having ample liquidity with us. Large capex are not planned as of now. So that whatever revenue generation will be there, so it will be better utilized for the working capital improvement and debt repayment only.

Bhavesh Chauhan: Yes. So lastly, on inventory days, it has improved a bit, a lot actually in the last three, four years. But 155 days of inventory, I can see. It scope to bring it down?

Management: Yes, see, it has gone down to multiple reasons. The primary reason, earlier we had large dependency on the imported imports. So gradually we have reduced that import dependency. We have developed many modes for the UPVC profiles in-house. So that captive consumption is happening. We have tied up with certain German players also. They have the plant in India. So we need not to keep the large inventory of imported imports because imported procurement requires three to four months of cycle. So that dependency has reduced.

For some other raw materials also, local procurement is happening nowadays. Earlier it was not available in India basically. So these are the one reason. And then we have also optimized our inventory level at different depot points also. So all these are helping us to reduce our inventory days.

Bhavesh Chauhan: Okay, okay, great, great. So thanks a lot and all the best.

Moderator: Thank you. Our next question is from the line of Mahesh Atul with Atul Investments. Please go ahead.

Mahesh Atul: Thanks for the follow-up, sir. So just to add to the previous query, I mean the previous guy's query. Working capital days, how much can we take it to? Because 158 days in our kind of business, I think that's too high even at these levels. So do you think that by this year at least we could see something there?

Management: See definitely, we are regularly working on improving our working capital engaged in the business. And this year if you compare with the FY '23, there has been very good change. And still work is on. And we are quite hopeful with the increased volume, our working capital requirement will not increase. We are committed to work with the same level of working capital with the projected top lines. So when the top line will increase, definitely the same working capital will reduce that also.

Mahesh Atul: Fair enough. And can you please give some light on your capacities currently and the usage of that capacity utilization?

Management: Capacity currently is that last year that we were having for the extrusion, we were having the capacity of 20,400 metric ton per annum. That's around 1,700 per month. So 300 metric ton capacity we have already added in our Bangalore plant that is operational. And some more capacity will be added in current financial year. So altogether we will be having around 27,000 metric ton capacity for the extrusion.

Last year we had capacity utilization of about 65% to 66%. So since we have added more capacity in extrusion for this year also with the increased projections and all, around 65% to 70% percent capacity utilization we are foreseeing for extrusion. And for UPVC window, there also we have the existing capacity.

We have not added new capacity in that. Already having 30 lakh square feet per annum capacity in that UPVC window. So that also that utilization is in the range of 40% to 45%. With the increased volume, the order book what we have, it will also get converted into the business. So capacity utilization this year should be around 50% to 55% for this UPVC windows.

Mahesh Atul: Okay. So is it a fair assumption to assume that the capacity utilization will remain at that 60, 62 level on overall thing, which is 27,000 tons?

Management: No, not that actually. We have built this capacity in fact for next another two to three years. Until and unless there is any specific requirement of any machines to extrude any specific product. For example, if we have to extrude some large shape of a product, we need to have some higher capacity machines. So maybe we need to go for that expansion. But the range of product what we are currently dealing in and research is going on those products. So we need not to go for the newer capacity addition. So utilization will increase up to, may go up to 75%, 80% also. Then only we think of the new addition of capacities.

Mahesh Atul: Okay. And sir, where do you see PVC prices in this current year? I mean, what do you anticipate for this PVC prices? Because last year I think there was a reduction. So we got that in our raw material prices. So where do you see this year?

Management: See last year the PVC prices were in the range of 75 to 85. This year also we also see in the same range because in the beginning of this year it was around 75, 77. Last two, three weeks there have been some chances of price increase. But we think it's the short term pace because of some logistics issues only. As such there is no increased globally, increasing demand globally which can increase the real price of the PVC product. It's a temporary phase. So we think it should be in the same phase only.

Mahesh Atul: Yes. Sir, one just last question. So basically if you see, I mean, if you give an elaborate basis like East, West, North, South, can you please tell me where the traction is coming from? Like where exactly you are weak, where exactly you are strong, and where exactly you are putting your efforts to move into, you know, I mean, deeper channels and all. Can you elaborate on that?

Management: I would say the West is not fully providing for us as of now. South, we are very much strong. East, all Northeast states, we are very much strong. In fact, we have started a part of the manufacturing process in Kolkata already, which we have mentioned in our presentation also. So coming forward, we might go for some other process addition there itself so that we can cater smoothly to our dealer distributor. North, since we are in Jaipur since last 32 years, so that itself is a good market.

So we are putting our more efforts for the Western region, particularly Maharashtra, Mumbai, and Pune. We have opened our showroom in Mumbai. In fact, last year, we have participated in a couple of large exhibitions related to our products in Mumbai itself, adding new sales teams also. So that market, we are penetrating more this year and coming period, we will be more focusing on that area.

Mahesh Atul: All right. Thank you, sir. All the best.

Management: Yes. Thank you.

Moderator: Our next question is from the line of Ayush Agarwal from Maple Value Investing Fund. Please go ahead.

Ayush Agarwal: Great, sir. First of all, I'm very new to the company, so my questions might be very basic, but it's very good to see what we have done in the last few years, and we have come back to our margins, and we have additional capacity as well now. So, sir, you know, we have been saying that next 2-3 years, we won't need a lot of capex. And, I mean, after this brownfield or debottlenecking we have done for extrusion, I think our capacity is 27,000, which you mentioned, and utilization would be 13,000, 14,000 in FY '24. And our UPVC is also at 50%. It's safe to assume that, you know, with current facilities, we can do INR350-odd crores offline at 80%-85% capital utilization.

Management: Yes, surely it's achievable. In fact, we have mentioned earlier also, we have, last 2-3 years, we have built a lot of capacity, forcing the demands to come from the market. Overall economy was getting improved, and real estate sector particularly. So, achieving the level of INR350-INR400 crores with the existing capacity, with the very nominal maintenance capex, it is feasible, very well feasible.

Ayush Agarwal: That's great, sir. Sir, second question is that, you know, like the other participants were also asking, so our gross margins move along with PVC prices. So, you know, when prices go up, how difficult do we find it to pass on to our, you know, either distributors or to the end consumers? What kind of resistance do we see, or is it easy to pass on? Because as we grow in size, these things will matter.

Management: It's possible. In fact, we have been doing this every year, whenever there is a heavy price fluctuation in the PVC. See, if we see that price hike is temporary phase, then we generally don't go for the revision in our sales prices. But we see that, okay, that price, whatever the price revision is happening, because PVC is the main ingredient of whatever the product we do make. And the prices look so, okay, that hike in the price is stable.

So, we do revise our product prices also. And it's easy for us also, in fact, I would say, because every manufacturer, whoever is our competitor, they also follow the same thing. So, based on what we have assessed in the past year, we are normally the first one who gives the price revision in the market, then others follow to us.

Ayush Agarwal: So, sir, it takes to assume that, you know, this 45% margin can be sustained even with the fluctuations in raw material prices?

Management: Yes, at the gross level, 45% is definitely sustainable. At the gross level[]. As I mentioned earlier also, we are regularly focused on the good margin products, new solutions, basically, what we have been developing, rooted and other solutions also. So, this level is surely achievable.

Ayush Agarwal: And, sir you mentioned that we opened our showroom in Bombay. Similarly, what other activities are we doing? Because West and North are the, I think, highest-selling markets that we have captured. And, I mean, generally, people come to East the last, but you are strong in East, and I think West is where we should develop ourselves right now. So, what other activities are we doing to grow them?

Management: You see, basically, this product, that coastal belt, that southern coastal belt, that eastern coastal belt, where the humidity and these rains are more, that wooden products get deteriorated at early tenure. So, that acceptance of the substitute product is more. So, that's the reason we are strong in South and East mainly. West, definitely, in fact, we have been there in Mumbai market, Mumbai-Pune earlier in 2008 to 2015, but somehow we could not get that kind of response, so we dropped that region. But again, with the addition of the new products, new solutions, which is definitely very well acceptable with the cities like Mumbai and Pune.

Digvijay Dhabriya: It's ideal for the Mumbai market, coastal belt.

Management: So, now, we are again refocusing on this region, and apart from opening the offices, we are appointing dealers and distributors at various cities, adding more sales team, promoting with other means also, that digital media and all.

Ayush Agarwal: So, that's it from me. Thank you for answering.

Moderator: Thank you. Our next question is from the line of Lucky Banwani, an investor. Please go ahead.

Lucky Banwani: Yes, sir. First of all, many congratulations to Mr. Digvijay Dhabriya and the entire Dhabriya team for your recent number I have seen.

Digvijay Dhabriya: Thank you.

Lucky Banwani: Sir, as an investor, I want to ask, that I have seen a DLF is a big client in your client list. You have got many orders from DLF. Is there any specific reason why DLF is giving you repeatedly orders?

Management: See, for our line of business, we usually say that it's not the product, it's all about the service, basically. So, in this industry, service is more important. Basically, it's a consumer product. Ultimately, product doesn't have the value until and unless it is applied. So, we have the capacities and capabilities of performing as per the buyer's expectations. We have, in fact, that is one more reason that we are strict to specific names, specific reputed builders and developers. Regularly, we are getting orders from them. So, that's the one reason why DLF gives us the preference because we can execute their works as per their requirement, as per their timelines.

Lucky Banwani: It's like that you are committed to them that at whatever time you have given them commitment, you are fulfilling their order.

Management: Yes, definitely. We have done it. We have been doing this for DLF and other builders for the last 10-15 years. In fact, for DLF, we did our first project in 2014. And currently, we have orders for 10 different projects.

Digvijay Dhabriya: It's all about execution and executing at the right time with the right quality.

Lucky Banwani: Yes. this is making a difference from the huge clients like Asian Paints and whomsoever is in this business. You are committed to time. Whatever time you have given to them, you are fulfilling the order at that time.

Management: Correct. It's very much important.

Lucky Banwani: Yes. Sir, my next question is for DSTONA segment. Like your Polywood segment and like your Dynasty modular furniture segment, your DSTONA is not growing segment like your Polywood and Dynasty segment. What is the reason behind that?

Digvijay Dhabriya: DSTONA was a SPC, Stone Plastic Composite product. What we feel is that we came earlier than the market requirements. So, we put a lot of effort in educating the market and the market is growing. But, I think in the coming years, DSTONA will be in high demand. Because now, a lot of people are asking about it and a lot of demand we are getting. The market is inquiring and a lot of demands are coming.

Lucky Banwani: Okay. So, do you have any plan to grow your DSTONA segment? Do you have any future products to introduce?

Digvijay Dhabriya: Because we have already the established capacity and we have developed a lot of products right from the 1mm sheet to 2mm sheet to 5mm sheet, 3mm sheet for wall and wall coverings.

Lucky Banwani: Yes, I have seen your marble sheets.

Digvijay Dhabriya: As and when the demand will come, we have the capacity. We are promoting it and I hope in the coming time, this product will get good momentum.

Lucky Banwani: Yes, sir. Thank you, sir. Thank you for giving your precious time.

Moderator: Thank you. Our next question is from the line of Rohit Shah with Ladder Up Wealth Management. Please go ahead.

Rohit Shah: Hello. Thank you for the opportunity. One question that I had was that in PVC profiles as well as UPVC windows, if you can just give a broad sense of how big is the market and overall and what share do we have?

Management: The market quantification of particularly for the windows and doors is not in place as of now. But overall door windows industry is very large. You can see around INR10,000 crores plus is the overall doors and windows industry. The data we can find out from certain building material studies. UPVC windows is growing every year.

In fact, there are so many players from the European countries has come up in India. They have placed their manufacturing facilities in India. So market definitely it's all of the shift from the traditional product like aluminium and wood or metal windows doors and windows to the UPVC based on its features that it's energy efficiency and the factory made solutions particularly and the time saving installation.

Market acceptance is increasing. Market share is improving. But yes, definitely there is no study as such where we can identify that this much is the market and this much market share we do have.

Rohit Shah: Okay, but so we won't be except for someone that Supreme was entered in. We won't be the largest player in UPVC and PVC profiles.

Management: No, Supreme, they are coming up with the extrusion manufacturing facilities basically. Like see, for example, in UPVC industry, the DCM Sriram Groups, Fenesta brand is the trade leader basically. They have the extrusion PVC manufacturing in-house. They have their extrusion plant and then fabrication and installation facilities. So their end-to-end solution that they're the one company. Another one, we are Polywood.

We have certain in-house production of PVC. This UPVC profile extrusion and fabrication and installation and rest of the industry is divided in two parts. One is the profile extruders, extrusion companies and second one is the fabricators.

For example, this Asian paints, they are also into the UPVC window manufacturing, but they are the fabricators. Similarly, that sent moving that glass manufacturing company, they are into the UPVC window manufacturing, but again, they are the fabricators. They are not the UPVC profile extrusion companies.

So whatever information we do have as of now, Supreme is coming up with the extrusion plant for manufacturing UPVC profile. They might go for the fabrication at their own or maybe for opting for the channel partner establishment. So that time in the coming time, they can only come to know.

Rohit Shah: Thank you.

Moderator: Thank you. As there are no further questions, I would now like to hand the conference over to Mr. Digvijay Dhabriya for his closing comments.

Digvijay Dhabriya: Thank you all. Thank you all for participating in this earnings con call. I hope we have been able to answer your questions satisfactorily. If you have any further questions or would like to know more about the company, please reach out to our investor relations managers at X-B4advisory. Thank you. Stay safe and healthy. Thank you.

Moderator: Thank you. On behalf of Dhabariya Polywood Limited, that concludes this conference. Thank you for joining us. You may now disconnect your lines.