



“DOMS Industries Limited Q1 FY'26 Earnings Conference Call”

August 11, 2025

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MANAGEMENT: MR. RAHUL SHAH – CHIEF FINANCIAL OFFICER, DOMS INDUSTRIES LIMITED
MODERATOR: MR. ANIRUDDHA JOSHI – ICICI SECURITIES LIMITED

Moderator: Ladies and gentlemen, good day and welcome to the Q1 FY26 Earnings Conference Call of DOMS hosted by ICICI Securities Limited.

Before we begin, a brief disclaimer: The presentation which DOMS Industries Limited has uploaded on the stock exchange and their website and the discussions during this call contains or may contain certain forward-looking statements concerning DOMS Industries Limited's business prospects and profitability which are subject to several risks and uncertainties and the actual results could materially differ from those in such forward-looking statements.

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 this conference call, please signal an operator by pressing “*” then “0” on your touchtone phone.

I now hand the conference over to Mr. Aniruddha Joshi from ICICI Securities Limited. Thank you and over to you, sir.

Aniruddha Joshi: Yes. Thanks, Shruti. On behalf of ICICI Securities, we welcome you all to Q1 FY26 Results Conference Call of DOMS Industries. We have with us today Senior Management represented by Mr. Rahul Shah -- Chief Financial Officer.

Now I hand over the call to “Mr. Rahul Shah for his Initial Comments on the Quarterly Performance” and then we will open the floor for “Question-and-Answer Session.” Thanks and over to you, Rahul bhai.

Rahul Shah: Thank you, Aniruddha ji. Thank you, team. Good morning, everyone. It is a pleasure to welcome you all to the Earnings Conference Call for the First Quarter ended June 30, 2025.

Joining me on this call is the team from Marathon Capital, our Investor Relations Advisor. I hope everyone had an opportunity to go through the “Investor Presentation” and the “Results Release” that has been uploaded on the exchanges and our Company's website.

Our Results for Q1 FY26 reflect a sustained growth trajectory with continuous positive momentum in sales. This performance also reflects the enduring benefits from our timely capacity addition, strategic initiative and the deepening trust in our brand DOMS. During the quarter, we witnessed growth across our balanced and diversified product portfolio supported by renewed positive sentiment in the domestic market and encouraging international demand trends.

During the quarter, we have continued to expand our product portfolio with introduction of new products across all our product segments. Notable additions were made in our core categories of Scholastic Stationery, Scholastic Art Materials, Kits & Combo Packs, Paper Stationery and Office Supplies. We have also witnessed encouraging response for the new products introduced in the Hobby & Craft segment, Baby Hygiene segment and the Back-to-School segment.

Further, we successfully completed the acquisition of Super Treads Private Limited (STPL), strengthening our delivery capabilities in the Eastern region of the country and enhancing our paper stationery production capacity by getting us closer to our customers in that region, allowing us to capture larger market share in the paper segment.

We remain steadfast in our pursuit of growth and are progressing steadily on our expansion trajectory with our 44-acre project positively on track, featuring timely construction milestones including the delivery of the first buildings by end of Q3 for installation of plant and machinery. This, complemented by a timely Brownfield expansion initiative within the adjoining areas, as well as the new land and building purchase during March and April of 2025, will help us increase capacity, positioning us strongly to capitalize on the latent demand for our products.

Export of our own brand products have also contributed positively to our growth with our existing markets responding favorably to our product offerings. Our partnership with F.I.L.A. for international distribution is also gaining traction, with promising feedback from markets where we are leveraging their network for distribution of DOMS branded products.

We would like to thank our consumers and channel partners who have been our driving force, continuously inspiring and motivating each and every one of us. We continue to work towards strengthening our connect with our consumers and are proud to have grown our YouTube family to 3 million plus subscribers and our Instagram followers base to over 100,000, showcasing our strong social media engagement. Our channel partners have also been instrumental in our growth, effectively showcasing our products to our consumers.

We are optimistic about the domestic demand on the back of growing optimism around consumption-driven growth. While we remain watchful of external uncertainties, we are positive about the optimism in the international markets for DOMS products. Our strategic efforts lay a strong foundation for medium-to-long term success and moving forward we will continue to focus on our core strengths of broadening our product portfolio, boosting our production capabilities and sustainable profitable growth.

Now, coming to the “Details of our Financial Performance for Quarter ended June 30, 2025”:

Consolidated operating revenues for Q1 FY26 stood at Rs.562.3 crores, a growth of nearly 26.4% compared to the same quarter last financial year. This increase in sales was predominantly on account of volume growth aided by marginal increase in average selling prices due to change in product mix.

Sequentially too, we saw growth in our operating revenues. Operating revenues grew by 10.5% from Rs.508.7 crores in Q4 FY25. This growth is attributed to increase in volume due to capacity addition and growth in export sales.

The consolidated EBITDA for Q1 FY26 grew by 14.3% to Rs.98.7 crores as compared to Rs.86.4 crores in Q1 FY25. The EBITDA margin for the quarter stood at 17.6%. Profit after tax for the quarter stood at Rs.59.1 crores with 10.5% PAT margin.

This performance alongside EBITDA margins of 17.6% trending towards the upper end of our guided range of 16.5% to 17.5% demonstrates the strengthening of our business model and our ability to maintain operational efficiency.

During the quarter, we have done a CAPEX of approximately Rs.70 crores including capital advances and full year CAPEX is expected to be in the range of Rs.210 to 225 crores. These investments were primarily towards purchase of additional land building adjacent to our current flagship plant, ongoing construction activities for the 44-acre project and purchase of plant and machinery across different product segments. These investments are expected to drive growth in the current and upcoming financial year.

As mentioned earlier, our performance for the quarter was in line with our expectations and we believe that we will be able to achieve our growth guidance of 18%-20% for FY26.

With this, I would now request to open the floor for questions and answers. Thank you.

Moderator: We will now begin the question-and-answer session. The first question is from the line of Sneha Talreja from Nuvama. Please go ahead.

Sneha Talreja: Just wanted to understand what would be our share of exports from US? And are you seeing any impacts on the tariff side or items are low ticket items to see any impact, any color on this would be helpful?

Rahul Shah: Hi, Sneha. So, Sneha, basically our exports to US is roughly about 5.5%-5.8% of our gross sales. The current tariff on one of the core products that we export to US is about 6.5%, which is now expected to grow to about 50.65% once the additional 25% tariffs also kick in. But considering that sales is only about 5.8% of our total sales, we do not see any significant impact of our sales to US on our overall sales. The potential decline in sales to US we believe shall be offset by increase in exports to the other countries where DOMS is witnessing growing brand acceptance. Also, we are positive about the demand scenario in the domestic market and hence we do not see a significant negative impact of US tariffs on our business performance.

Sneha Talreja: Secondly, I just wanted to understand, of course, you believe in conservatively guiding. And even in this particular quarter, what we have seen is you have grown by 26% against your guidance of 20% and your margins have also come in against 17.6% against 16.5% to 17.5% that you guide for. Do you think any reason of revising this upwards? Along with this also, in your opening remarks you highlighted that market around is uncertain. Could you explain how is it in terms of demand and how are you able to get this amount of pull in the market? Thanks for this.

- Rahul Shah:** Sneha, we mentioned that we are uncertain about the export market especially with respect to US. But otherwise, in the domestic market, we are seeing a positive demand scenario being built up for our products. So, we are confident that we will be able to achieve our guided range in terms of overall sales growth to about 18%-20%. This quarter, particularly, you see the growth numbers being a little higher, is primarily on account of Uniclan acquisition, where in the base quarter previous year, the Uniclan numbers were not consolidated. In terms of margin, we always believe that the range of 16.5% to 17.5% is something which we are confident of achieving and therefore would continue with this guided range at least for a quarter or so more. Once we have a little more visibility of how the year is progressing, then if required, we will revisit our guidance. But as of now, like I said, we are confident of achieving our FY26 sales growth range of 18%-20% with EBITDA margins of 16.5% to 17.5% and PAT margin of 10% to 10.5%.
- Sneha Talreja:** Understood. Thanks. That was helpful. All the best to you.
- Rahul Shah:** Thanks, Sneha.
- Moderator:** Our next question is from the line of Aradhana Jain from B&K Securities. Please go ahead.
- Aradhana Jain:** Hi. Thank you for the opportunity and congratulations on the good set of numbers. A couple of questions for my end. First, I wanted to understand what is the reason for the muted performance in Scholastic Stationery and the Scholastic Art category? I mean, we have added capacity I believe in these two categories. In spite of that, there has been a muted performance across both these. In fact, in the last quarter also, there was a degrowth. So, what is the reason behind that? That is my first question.
- Rahul Shah:** Hi, Aradhana. Good morning. Aradhana, basically, if you see, Scholastic Stationery has shown a low growth of about 2% while Scholastic Art, when compared to the previous year same quarter has been flat. There are primarily two reasons for this. First and foremost, there has not been any significant capacity addition in these categories that could drive increase in volumes and thus growth. Second, as we mentioned in our previous discussion also, the performance of Scholastic Stationery and Scholastic Art should be evaluated along with the performance of Kits & Combo segment as well. If you see the sales of Kits & Combo segment, it is over 50% compared to first quarter FY25. And if you combine the overall growth of Scholastic Stationery and Scholastic Art –
- Moderator:** Sorry to interrupt, sir. Rahul sir, your voice is muffled. Your voice is dropping.
- Rahul Shah:** So, Aradhana, if you combine the overall gross sales of Scholastic Stationery, Scholastic Art Materials, and Kits & Combos together, Q1 FY25, these three segments accounted for around Rs.347.2 crores of gross product sales while compared to Rs.369.5 crores of gross product sales in the current quarter, which is a growth of roughly 6.4%. But like I said earlier, there has been not any substantial capacity addition in this segment, and hence the growth has been a little lower than the overall growth in sales.

Aradhana Jain:

So, do we expect capacity addition during this year? The Rs.210-250-odd crores of CAPEX that we are planning to do, will that also lead to some addition in this category in terms of capacity?

Rahul Shah:

Yes, definitely. Like we mentioned earlier, we are in the process of increasing the capacity of our core product, which is wooden pencils. Wooden pencils is a slightly complicated manufacturing process where you need to add capacity to three different significant processes. Out of that, we have already done the addition for two of the processes. Now, the only capacity addition pending to be done, completed, is for finishing of the pencils. This is expected as soon as the first building from our 44-acre project is handed over to us, which is expected by Q3 FY26, and about 90 days from there on to start commercial production. So, we are targeting to at least have the new set of capacity addition. You will see substantial capacity addition coming in wooden pencils, which will drive growth of this segment.

Aradhana Jain:

Understood. Just two more questions from my end. One is on the office supplies that has grown phenomenally at 77% year-on-year. How much of the contribution in the office supplies has been because of pens? And within pens, what is the revenue mix of Rs.5 and Rs.10?

Rahul Shah:

So, Aradhana, while we do not discuss on a very granular detail, but yes, in the office supply segment, the key growth drivers have been pens. Along with that, we are also seeing a positive response to the range of Highlighters that we have launched under this segment. Both these products are driving growth of the office supply segment. With some more capacity addition coming in this financial year also in this segment, we believe this segment to continue to perform well for us. And in terms of the price point, we continue to sell majorly our pens at the Rs.5 MRP segment. But there have been new SKUs which are launched in the Rs.10 segment as well.

Aradhana Jain:

Understood. And just last bit from my end on the Uniclean business. Just wanted to understand the seasonality aspect of that business a bit more. I mean, while the business was not there in the last year or this quarter, but there has been a sequential decline in the revenue growth in this quarter. So, given that monsoon came early, would not that have led to better numbers, like given that winter was the reason for fourth quarter to have done well for Uniclean? Similarly, would not first quarter as well should have been good from that aspect? And secondly, in terms of EBITDA margins, if we were to see for Uniclean, what would be the steady state EBITDA margins that we can consider? Because last year, again, like last quarter, it was around 8.5%-9% closer to those numbers, this year, it is closer to a 7%. So, on a steady state basis, what could be the margins to be considered? Yes, that is it from my side. Thank you.

Rahul Shah:

Uniclean clocked in revenues of about Rs.36.1 crores in Q1. Q1 is structurally a weak quarter for diapers. But as you mentioned, because the onset of monsoon was a little earlier, definitely we saw a little bit of positive due to that aspect on our baby hygiene business. While Q1 FY25 sales of Uniclean were not consolidated, but if I could just share some light on it, we have grown our business compared to Q1 FY25 by about 40% in Uniclean. This has been because of some capacity additions that have happened, especially in the wet wipe segment, which was commercialized in Q4 FY25, as

well as season setting in a little earlier in some parts of India. Both these factors helped in achieving higher growth for Uniclan on a year-on-year basis. And from an EBITDA margin perspective, we still believe that the right EBITDA margin for this business would be 8%-9%, because right now the focus would definitely be on ramping up sales and the distribution network. I will be comfortable with the Company doing about 8-9% EBITDA margin for the full year basis.

Aradhana Jain:

Understood. Just one last question on this distribution network bit. So, on a sequential basis, if I look at your Uniclan brand network, there has been a decline in the retail outlets and the sales personnel number on a sequential basis. Any reason for that? And what could be the aspiration for the full year in terms of reaching out in terms of the retail outlets for Uniclan?

Rahul Shah:

At Uniclan, like I said, we are in the process of building a robust domestic distribution network for Uniclan. There have been some decisions taken by us to right-size the network, ensuring that we effectively reach our consumers. The focus has, been more on driving more secondary sales than just primary sales. So, it is a process that we are doing right now. So, there will be some right-sizing also that might happen in terms of the sales team as well as our distribution and retail outlets reach. But we believe this to grow gradually. Some DOMS existing channel partners of our stationary segment have been appointed as channel partners for the hygiene segment also. So, slowly we will focus on strengthening this network. But it will be a gradual process. We would not want to put any sort of target in terms of where we want to reach because we have never followed that even for DOMS. We just want to maximize the throughput to each of our channel partners before getting into that number game of increasing the channel strength.

Aradhana Jain:

Understood. This was helpful. I will join back in the queue. Thank you.

Moderator:

Our next question is from the line of Jinesh Joshi from PL Capital. Please go ahead.

Jinesh Joshi:

Thanks for the opportunity. Sir, I have a question on our revenue mix. If I look at the Northern belt, I mean, historically, the contribution used to be at around 30%-plus. But in this quarter, it has come down to about 28%. So, any specific reason for the fall to come through? And also, secondly, if I look at our MT channel, the revenue is up by about 90%. So, just wanted to know, I mean, have we penetrated newer stores or is it that we are able to extract more throughput from the existing stores? Yes. So, these two questions.

Rahul Shah:

Hi, Jinesh. Jinesh, I heard the first part of the question clearly, which was why this proportion of sales from North India has come down. Second part, I could not hear well. So, let me first answer the first part of the question and then if you could please repeat the second part. Jinesh, basically, see, what has happened is almost 35% of sales of Uniclan comes from e-commerce and the Company does all of the sales from their plant in Jaipur, Rajasthan. So, all these sales currently get absorbed in the western part of India. And that is the primary reason why you are seeing the western part increasing. Also, certain merchant exports done by DOMS have increased, which is also accounted in our factory sales from Gujarat. These are the reasons why western region is showing stronger. But

otherwise, if you look from overall at the customer level, the sales are pretty much in line what they were previously where North accounts the highest, followed by West and then South and East.

Jinesh Joshi: Yes. So, my question was on your modern trade channel growth, which has come up at about 90% in this quarter. So, just wanted to know, have we kind of penetrated newer stores or is it that the throughput from the existing stores has increased meaningfully?

Management: So, the year-on-year growth in modern trade, e-commerce, quick commerce that you see is again linked to Uniclan. In the base quarter, Uniclan was not consolidated, and like I said, almost 35% plus percentage of Uniclan sales comes from e-commerce. That is the reason why you are seeing that the modern trade has grown significantly when compared year-on-year. So, that is the primary reason. But having said that, modern trade, e-commerce, quick commerce is something which within the stationary segment also is witnessing growth because our existing relationships, the demand for these products on these channels also continue to increase. So, there is nothing other than that that we have primarily seen degrowth in other segments and therefore focusing more on modern trade e-commerce. It's not that. It is just primarily on account of the Uniclan acquisition.

Jinesh Joshi: Got that. And secondly, you mentioned in your opening remarks that we have started selling branded products in export markets via the distribution agreement with F.I.L.A. So, can you just talk a bit about the -

Moderator: Sorry to interrupt, Jinesh. Sir, could you please distance your device from yourself so that we can hear you clearly, because your voice is sounding muffled.

Jinesh Joshi: So, the question was on the branded product sale in export markets via the distribution agreement with F.I.L.A. So, I just wanted to know if you can just talk a bit about the opportunity size over here, I mean, what was F.I.L.A.'s revenue when it was dealing in these markets on its own via white-labeled products or is it a new market for F.I.L.A. as well, whereby now we have got the lead to sell our own products versus their own products?

Rahul Shah: So, Jinesh, the distribution agreement with FILA is only for those markets where F.I.L.A has an existing network infrastructure and has continued to do business. So, it is not new markets for F.I.L.A also. These are existing markets. Like I said in the opening remarks also, we started selling DOMS branded products in a couple of markets where F.I.L.A is already present. But it is still early days. It is where the goods have reached the destination countries and the marketing and sales activities have started. So, we still need to understand the response from the end consumers what it has been before we can say and think about what is the potential of the business in these regions. In terms of F.I.L.A. doing sales in this market, honestly, we have not looked at those numbers because DOMS products are not going to be competing with F.I.L.A.'s products. We are selling in as a secondary brand along with the F.I.L.A. brand where both the brands are going to be positioned differently. So, it would not be correct to look at the opportunity from perspective of the sales that F.I.L.A. is doing in the existing

markets from F.I.L.A. products. This is going to help F.I.L.A. also to expand their sales in these geographies.

Moderator: Next question is from the line of Kunal Vora from BNP Paribas. Please go ahead.

Kunal Vora: Yes, thanks sir for the opportunity and good quarter Rahul Bhai. On the pen business, what is the market share you are at now? Is the competition reacting in any way to your market share gains? And at what level of sales would you expect a slowdown in the pen business?

Rahul Shah: Hi Kunal bhai. Kunal bhai, basically, we are still relatively a new entrant in the segment. We started with the conventional ballpoint pens about two years back. It has been just two years, but we are happy with the response that we have got from our consumers, which has helped us scale up the business to a pretty decent level. But from a market share perspective, I do not have the exact number, but my feeling is that we will be still lower, maybe about 3-4%, which gives us a big runway to grow in this segment. We see the opportunity being there. With the capacity additions that are expected to come in this segment, coupled with our pipeline of the new products that we are going to launch, we are excited about this segment and I think we will be able to grow our market share in this segment quite well.

Kunal Vora: Understood, understood. Any reaction from the competition so far? And would you aspire for double-digit market share here?

Rahul Shah: Aspiration-wise, definitely. DOMS has always, whenever we have entered any category, we have always entered with the intention of being amongst the top players, for almost most of the categories that we are present today, we have achieved that feat. So, not only in pens or office supplies, but in all the new categories that we are entering into, that is the aspiration, and we hope we will be able to come true to our aspirations. In terms of competition, you studied DOMS very well as a Company. We look more at ourselves in terms of where we want to be, how we want to reach there. We really do not look at what the competition is doing or not doing for that matter. We believe we should continue to focus on our own core strengths, which is product, product designing, product engineering. And if we bring the right product to our consumer at the right value, I think we will see success in all the segments that we are present and intend to get into.

Kunal Vora: Understood. Thanks. Second one is, can you talk about Hobby & Craft? There seems to be a sharp increase led by adhesive sales. So, how large is the market? Like whether we should expect the current run rate or a further acceleration, how should we look at Hobby & Craft?

Rahul Shah: Hobby & Craft basically for us constitutes of modeling material, craft material, glues, adhesives, gums. During the previous year, we had added capacities primarily in the adhesive segment. Introduced a product with a very differentiated sort of a product, which slowly gradually is seeing positive response from the market. And hence you see that the Hobby & Craft segment has grown significantly compared to the previous year as well as sequentially. It is difficult to guess the size of

the adhesive market because our focus there is mainly on scholastic adhesives and glues. We do not intend to get into the B2B adhesive segment. So, that bifurcation is not available. But having said that, we believe in the scholastic adhesive segment, considering the differentiated product offering, our distribution reach within the stationery segment and our deepening trust from our consumers will help us to grow this business to a decent level.

Kunal Vora: There is no one-off in this quarter and we should be building in further improvement in sales sequentially from here?

Rahul Shah: So, yes, now the capacity utilizations are improving in this segment because there were new capacities that were added in the previous year. Utilizations are improving. So, we should expect the gradual increase in this segment as well.

Kunal Vora: Understood, understood. And in terms of the new plant, I would assume that benefits will only start coming in the fourth quarter. So, with that, what are the early estimates for how does FY27 look like, because you will have continued new capacity additions coming in starting fourth quarter, so any thoughts on how we should be looking at FY27?

Rahul Shah: Basically, we target to have the first billing for the new plant happening in the fourth quarter. Real capacity additions, meaningful impact on sales will start building in from Quarter 1 of FY27. So, it would be a little too early to determine how much we would get benefits in FY27. But historically, we try to maintain our growth rate at that range about 18% to 20%. And given the capacity additions that are planned as well as the market sentiments, we believe that we should be able to reach that. But we will come back to you all with the proper guidance once a couple of quarters goes in.

Kunal Vora: Sure, sure. And lastly, on domestic retail outlets, there was a slight dip last quarter. This time looks like you added 10,000 outlets. Also, you added -

Rahul Shah: So, being a little honest here, the number which were given in the domestic distribution network for DOMS, in the last quarter, there was a typo error in it. The number of retail outlets have not changed. The numbers is same in Q4 FY25 and Q1 of FY26.

Kunal Vora: Understood, understood, okay. Yes, okay, okay, okay. That is it from me.

Moderator: Our next question is from the line of Jaiveer Shekhawat from Ambit Capital. Please go ahead.

Jaiveer Shekhawat: Sure, thanks a lot for taking my question. Rahul bhai, my first question is with respect to your office supplies. I think we have consistently seen the way you have grown the revenues there. Could you just talk about in terms of distribution network how well spread is that at the moment? Have you covered all the retail outlets that you supply the rest of the stationery via these office supplies? And then what kind of throughput increase do you expect from the existing distribution channel possibly by the end of the year?

- Rahul Shah:** We have not been able to still ramp up our sales in office supplies to the entire network. There are still quite a few regions where we are still to enter because we still have a constraint in terms of capacity. Once the new capacity addition which are planned for the current financial year come into production, we will be able to ramp up our sales and distribution of writing instrument pens to the entire universe that we are servicing today. Should happen by the end of this year or probably with the new capacity that are planned for the coming year. If you could repeat the second half of the question?
- Jaiveer Shekhawat:** I think it was just in terms of the throughput increase that you expect from the same channel. So, as per your understanding, will it be 50% of the channel that you have covered, 60%, is there any number in your mind that you have covered in terms of distribution network?
- Rahul Shah:** No, there is no specific number or a target in mind. It is going to be a gradual process. As and when the capacity addition happens, we want to increase our reach with the pens and a lot of other new products that we have launched. But definitely the focus continues to remain on increasing our throughput in each of the current stores that we are present. We will gradually start selling pens and other items, new products in these existing stores as and when new capacity comes in.
- Jaiveer Shekhawat:** Sir, my second question was in respect to your scholastic stationery art material kits and combos. If I see sequentially, I think there has been a good growth that has come in. I was under the impression that there was not a lot of capacity that has been added on the stationery and art material segment. So, has there been some outsourcing that has happened or is there a demand pickup from those segments that have happened, could you explain what has been driving that sequential growth versus the last fourth quarter to first quarter?
- Rahul Shah:** So, sequentially, there is a little bit of impact that happened because of the Back-to-School season. So, you tend to see a little more sales picking up in the first quarter for these categories. As well as what happened was certain export orders which were partially ready in the fourth quarter were serviced in the first quarter. So, there were the slide at a product mix level. When you see specifically at a product mix level, this impact was seen. And also what you see sequentially, Kits & Combos have done a little lower and individual items of scholastic stationery and art material have done slightly better. So, these are the key reasons why you see the sales growing. It is not that there have been any meaningful capacity additions that have come in.
- Jaiveer Shekhawat:** I think that is helpful. So, last question is in terms of new capacity expansion for the 44-acre one. So, what sort of a headcount increase overall approach would you expect and also the overall employee cost that you would expect possibly for the next year once it comes on line?
- Rahul Shah:** So, basically 44-acres is going to be a large project where eventually we will have an operational area of around 1.8 to 2 million square feet. When this entire project comes in, we believe we will require about 12,000 to 13,000 people similar to the workforce that we have right now. So, it is going to actually double once the project is completely operational. But it will be gradual. As and when

new buildings come under production, you will gradually increase your workforce strength. Our employee cost right now is close to about 14%. And if you see historically, this number has been coming down slightly. And that is primarily because of economies of scale. So, that benefit we will continue to get, but we will continue to have a large workforce also. So, it is going to be a significant cost for the Company.

Jaiveer Shekhawat: Sure, sure. Sure, thanks a lot and all the best.

Rahul Shah: Thank you.

Moderator: Thank you. Our next question is from the line of Aniruddha Joshi from ICICI Securities Limited. Please go ahead.

Aniruddha Joshi: Yes. So, just two questions. So, in terms of pen business, we see there is a vacuum at the medium end or the top end of the market. I mean, there are brands like Pilot or to some extent Parker or Mont Blanc, but still there is a good amount of vacuum and potential to grow in the top end of the market too. So, any strategy that DOMS has got to expand in this medium end or the top end of the market for pens? That is one. And secondly, if you can indicate about the current distribution structure of pens and how it will shape up in let us say FY27 and beyond also? So, that is question number one. And then question number two, the way DOMS is growing obviously means like literally doubling revenues in the three years. So, the Company will definitely require a lot of investments in new management bandwidth as well as technology also. So, what is the strategy over here to strengthen the management as well as strengthen the internal technology spends also? Yes, that is it. That is two questions from my side.

Rahul Shah: Thanks Aniruddha. So, Aniruddha, firstly, to answer your first question, if you look at DOMS, you will appreciate that our primary customers, consumers are scholastic children and college students. And if you look at the demand or the products that they use is mainly your entry level price point pens like Rs.5, Rs.10, Rs.20. So, this is going to be the primary segment that we will be focusing on in the near to mid-term. Going forward, it is a little early to say when we will enter the premium segment and in the premium segment also at what price point. Something like a Montblanc or something is like a very, very high price point pen which is also sold in a very different sort of a distribution network. So, our product strategy will revolve around our consumer and our distribution channel where we are already present. So, gradually we will definitely move up in terms of introducing products at the higher price point. So, Rs.5 and Rs.10 would predominantly be larger share in the overall chain. To answer the second part of your first question in terms of the distribution of pens, like I mentioned earlier, there are certain regions where we still not introduce the pens because of the constraints that we have in terms of capacity. As and when new capacity additions come in, we will want to introduce this throughout the country. In terms of the distribution channel, these are sold in the same distribution channel where we are present right now. It is going to be the same distribution network that we leverage for growing our pen business further.

To answer your second question, definitely, with the increase in the production capacity, we are also mindful of the fact that we require higher manpower, higher management bandwidth, and active steps are being taken in terms of identifying people within the organization structure, taking them to a higher position to manage activities efficiently. Also, what will happen is once you start having a larger manufacturing base in a single location, the efficiency of the people also improves because it is easier to oversight the operation. So, we are in that process of continuously hiring and promoting people from within the organization based on their performance. And with respect to systems, that is something which is an ongoing process which is not only for production activities, but even for market activities, even from a DMS and Salesforce automation software that we use. We are continuously enhancing all these systems to meet our requirements. The systems that we already use are something which are best available in the market. For example, SAP for our ERP. It is a scalable platform. With increasing overall turnover and volume, these software will be able to scale up. The Company continues to improve and enhance the features of the existing systems to meet our requirements.

Aniruddha Joshi:

Okay. Surely. This is very, very helpful. Many thanks.

Moderator:

Our next question is from the line of Percy from IIFL Securities. Please go ahead.

Percy:

Hi, Rahul. Congrats on a good set of numbers. My question is on the 44-acre land. What is the total CAPEX that we have done till 30th of June? It might not be showing up in the gross block because it might be in CWIP, but what is the total, excluding land, the gross block plus CWIP if you can tell me for the 44-acre plant?

Rahul Shah:

What we would have done for the 44-acre plant can be bifurcated into two parts. One is for the construction activities, and the other is for ordering of plant and machinery. And some of those plant and machinery we have also got in our factories and started production at some alternative location in between. But having put all together, the CAPEX that we would have done for this would be close to Rs.150 crores.

Percy:

Okay. Got it. And how much more will happen in the next nine months?

Rahul Shah:

The total CAPEX outflow that we have planned for this financial year is about Rs.210 to 225 crores. Out of this, like I said, we have already invested about Rs.70-odd crores. The balance of about Rs.150 to 160 crores predominantly will go into the 44-acre project.

Percy:

Okay. So, by the end of this year, we would have invested about Rs.300 crores in the 44-acre project. Do you expect this entire Rs.300 crores to be capitalized or there would be still a material part in CWIP?

Rahul Shah:

So, there will still be a material part in CWIP, because there are multiple buildings which are being constructed together. So, only the buildings which we will get possession, that will be capitalized

one-by-one. The way the entire project is planned, Percy bhai, is once we get the possession of the first building, we would want to get the possession of the next building in another three months because that is the time that we will require, the 90-day period in between two possessions, to set up the commercial production of that particular first building. So, the way the activities are planned is every quarter keep getting one, one, one building and that is why not everything would get capitalized.

Percy:

So, what I am trying to understand is that like how much turnover you can generate from the new plant in FY27. So, let us say about Rs.150 crores or Rs.200 crores would be let us say capitalized by the end of this year, putting a 3x sort of asset turns on that, can we say roughly about Rs 500 crore atleast from the supply side, demand side is a different thing, but from a supply side, you are prepared to supply Rs.500 crores worth of products in FY27 from the new plant, would that be a fair estimate?

Rahul Shah:

Percy bhai, what is also happening is in the new CAPEX that is happening for 44 acres, a lot of CAPEX is happening towards the building of the utilities and infrastructure for the entire plant. So, let us say utilities in terms of power and all, as soon as we start using power, we will capitalize the entire amount that has been invested. But it has been invested to that size and extent which will fulfill the requirement of the entire project. So, on that you will not be able to see like a 3x on the year one also. So, it would not be like 3x. Eventually, we would want to reach like a 3x sort of a number. But to start with, I think it would be fair to assume we start with like a 2 - 2.25 and gradually move towards 3x. This is from the new project. Then there are existing projects where we continue to do capacity addition in terms of modernization plus in the early part April and late March 2025 we added some infrastructure also. So, all these things would aid in terms of achieving our growth target for FY27.

Percy:

Understood. The only reason why I am asking, because when at the time of IPO, we had come to the plant, our understanding was that already the old plant is very near sort of reaching full capacity and even the empty spaces in the old plant was not that much that we can do a lot of Greenfield, we did not see that much empty space that there can be a huge amount of Greenfield in the old one. So, just concerned that if basically the new plant does not start contributing soon, then will there be a capacity constraint to growth because we need by FY27, FY28, we need let us say at least Rs.450 crores of additional turnover on a YoY basis. We need that to come. And assuming that the 26-acre plant does not have much more in terms of expanding capacity, that will have to come from the new plant only, right?

Rahul Shah:

Percy bhai, first thing, your plant visit is now due. You should come to the plant sooner because what happened from the time of the IPO till now, adjoining our current flagship plant where you visited during the IPO, we were able to acquire more space, some on lease and a large portion we purchase plus, in March of this year, we were also able to purchase a land in GIDC, very close to our existing plant, which has a ready building of about 120,000 square feet. Right now, we are just doing some renovations and changes there which are required for our system. So, all this is also going to aid. So, it is not that from the IPO till now, the CAPEX has happened only towards 44 acres. There have been

capacity additions that have happened at other parts also. Plus, in our subsidiary companies, Pioneer, we have added, production of paper stationery capacity. When you visited Pioneer, you would have seen two lines of automatic book manufacturing companies that has almost doubled. Plus, we acquired Super Treads recently where we are getting more capacity, which will help us in increasing our paper stationery business also. So, it is planned. When I am saying that, we will aspire to continue growing at this level going forward also. So, for that, the required CAPEX and planning already happened. So, probably, my request to you would be to plan a plant visit very soon so that you could also see, in addition to the 45-acre project, additional enhancements in these that we have done from a physical infrastructure perspective.

Percy: Understood, Rahul. Very helpful. And last question from my side is, can you tell me what is your capacity utilization in paper stationery and in pens?

Rahul Shah: Percy bhai, first of all, our capacity utilization is something which we do not track on from that perspective because paper stationery for example is slightly sort of a seasonal business and plus it is a very modernized, fully automatic manufacturing process which during season time we operationalize for additional time also. In the pen segment, like I said, we continue to remain constrained with capacity. And so, we are utilizing what we have right now. But there are capacity additions which are already planned, which are gradually coming. So, first of all, like in paper stationery, I explained that capacity additions came in and it is a slightly seasonal business. So, once the new season starts, I think we have got enough capacity to meet the anticipated targets that we have for that segment. And for pens, our utilization would be near optimal right now. But there are new capacity additions which are happening as we speak. So, every quarter we see some capacity additions happening in our existing infrastructure for the pen segment also. And when I say existing, it means what you visited plus what we acquired adjacent to our current operations.

Moderator: Our next question is from the line of Priyank Chheda from Vallum Capital. Please go ahead.

Priyank Chheda: Hi, Rahul bhai. Thank you for the opportunity. My question is, would it be possible to call out the volume and the ASP growth in the core stationery business for this quarter like we called out in the last quarter?

Rahul Shah: So, very difficult to give from an overall perspective because right now, like you saw in this quarter, sequentially if you see the volume of kits and combination packs, the value plus volume has come down a little because being a back to school season, a lot of individual demand for individual products increases a little and we have that flexibility in terms of meeting the requirements of the market accordingly. But having said that, the majority of the sales growth that we see sequentially at overall level is predominantly because of volume growth with some parts being aided by increase in average selling prices.

Priyank Chheda: Very clear. My second question is on the expansions in the existing plot area, not the new 44-acre land. We were coming up with a pencil expansion from I think 5.5 million per day to 8 million. By

when is that expected? And as well as if you can also touch upon the books capacity addition that we were planning to add another 15% capacity over there, the pens capacity also we were planning to add by 50%. So, what is the status of all those capacity expansions outside the 44-acre if you can call out, it will be helpful?

Rahul Shah: Basically, the pencil capacity addition, like you rightly said, is expected to increase from 5.5 million to 8 million. Some of the parts in that expansion have already happened. The finishing from where we will be able to make the finished product is something which will happen in Q4 of FY26 and Q1 to mid of Q2 FY27. So, probably by the same time next year when we will be talking, we will see a substantial part of this capacity addition coming in. In terms of pens, like I mentioned earlier, there are capacity additions that are happening as we speak and this is going to be a gradual process. But you should remember that a lot of our capacities especially at the molding part is very fungible. So, depending upon the market dynamics and requirements, we will adjust ourselves to the requirements of the market. But in addition to pens and pencils, in the new expansion, we believe we will be adding a lot of capacities for other aspects of the writing instrument segments like markers, highlighters, some of the pencil, pencil accessories like erasers, sharpeners. So, across the board, as and when we gradually keep getting additional infrastructure, we will keep adding capacities, looking both in terms of the demand of the market both in India as well as internationally.

Moderator: Our next question is from the line of Akash Shah from UTI Mutual Fund. Please go ahead.

Rahul Shah: Hi, Akash. Good morning. Yes, sir.

Akash Shah: So, thank you. Thank you for the opportunity. Sir, just wanted to ask, what are the key risks that you are worried about in the business? I mean, we understand certainly the growth potential as well as healthy margins. But, sir, I mean, what are the key risks that you see and how you mitigate those?

Rahul Shah: So, Akash, basically, we have had this question earlier as well and probably our response continues to be the same where we believe that the key foremost risk that we see in the business is our ability to timely increase our capacity. We believe that the market and the demand both in India and internationally is strong for our products and we would want to capitalize on this demand as best and efficiently as possible. And we will be able to achieve this only if there is a timely capacity addition that happens. So, this in our view continues to be the foremost risk that we see in our business.

Akash Shah: Sure. Sure. Sir, on demand front, you are reasonably confident that the market will be able to absorb the incremental capacity that we are going to come up with?

Rahul Shah: Yes, we continue to be very positive about the demand scenario. DOMS as a brand continues to see increasing acceptance not only in India, but in the international markets also. So, as soon as our capacities increase, we will be able to service the demand better. So, demand does not seem to be a challenge right now, but it is more of when we will be able to service the demand and that is where the capacity addition will come in handy.

- Akash Shah:** Sure. Thank you. Thank you, sir.
- Moderator:** Our next question is from the line of Mosam Shah from Wealth Guardian. Please go ahead.
- Mosam Shah:** Congratulations on a good set of numbers. So, basically, I just wanted to know, recently there was a news, there was a shortage of poplar wood, that is the primary raw material for wooden pencils. Are we facing any sort of shortage?
- Rahul Shah:** As of now, as we speak Mosam, not really. Just that when there was some war-like situation, because the valley was entirely shut that time, we did face some challenges. But as we have always maintained, for some key raw materials which we believe are sensitive to our business, we have a significant stock, sometimes as high as six months of production requirement stock. So, we are not seeing any challenge. And plus, we believe that the product, the poplar wood that we use, which comes from the Kashmir valley region, where a lot of government initiatives are being taken to empower the farmers there to farm this cultivated wood. So, we believe that supply would not be a challenge. And also, in terms of our pencils, there are different types of wood that we use. Poplar is definitely one of them. There is Vatta wood also that we use, which comes from southern part of India. There is also Bass wood which we import from Europe. So, there are multiple purchase destinations also which are there. So, we do not see that as a challenge right now.
- Mosam Shah:** Okay. That is helpful. The second question was related to bags, because since after introduction, this was the first year where we have introduced bags. So, what is the demand scenario and how we have conquered that?
- Rahul Shah:** So, Mosam, basically, we launched the DOMS branded bags in time for this back to school season. It was started with minimal sort of product offering, because like I said, we still want to test the markets to understand what products work. Bags in terms of SKUs are always defined in terms of their volume capacity, like number of zips, number of sections, holders that they have. So, we have introduced multiple SKUs. We are getting feedback, what is working, what changes they would like to see in terms of the product. We are getting encouraging feedback also from retailers where they are saying they want the product packaging to be changed a little so they can probably sell bags also as a gifting article. So, we are getting those feedback. We are working on it. We are trying to improve our SKUs further. So, this business also will continue to grow. I think a couple of years more, then we will be able to talk substantially about the back to school segment.
- Mosam Shah:** Okay, okay. Okay, and lastly, so we are assisting F.I.L.A. in terms of sourcing quality products at competitive prices. So, are these raw materials or the products that DOMS make?
- Rahul Shah:** This is the products that DOMS manufacture and sells to F.I.L.A. and F.I.L.A. group companies across the world.
- Mosam Shah:** Any raw material sourcing for them, right?

- Rahul Shah:** No, no, no, we do not do that trading sort of a thing like buy here and sell to F.I.L.A. No. There might be certain times where for testing purposes and sampling purposes we would have done it, but that is not like a business segment or anything like a key business driver.
- Mosam Shah:** Okay, okay. Thank you so much and all the very best.
- Moderator:** Ladies and gentlemen, that was the last question for today. I now hand the conference over to the management for closing comments. Over to you, sir.
- Rahul Shah:** Thank you, everyone. On behalf of DOMS, I would like to thank you all once again for joining us on this call today. We hope we have been able to answer your queries. Please feel free to reach out to our investor relations team for any further clarification or queries that you may all have. I would also request all of you to probably make some time out to visit our facilities in Umbergaon to see what new additions and new infrastructure is being built up there. Once again, thank you so much. Wish you all a good day. Thank you once again.
- Moderator:** Thank you. On behalf of ICICI Securities Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.