"DOMS Industries Limited
Q2'FY25 Earnings Conference Call"

November 11, 2024

Disclaimer: E&OE - Please note that some portion of the concall may have an audio spoken in language other than English which has been translated in English language in this transcript primarily for ease of reading. This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the Company's website will prevail.

MANAGEMENT:	**MR. SANTOSH RAVESHIA – MANAGING DIRECTOR, DOMS INDUSTRIES LIMITED**
	MR. RAHUL SHAH - CFO, DOMS INDUSTRIES LIMITED
MODERATOR:	**MR. ANIRUDDHA JOSHI – ICICI SECURITIES**

Moderator: Ladies and gentlemen, good day and welcome to DOMS Industries Limited Q2 FY25 Conference Call hosted by ICICI Securities.

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 "*" then "0" on your touchtone phone. Please note that this conference is being recorded.

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

Aniruddha Joshi: Thank you. On behalf of ICICI Securities, we welcome you all to Q2 FY25 Results Conference Call of DOMS Industries.

We have with us today Senior Management represented by Mr. Santosh Raveshia - Managing Director and Mr. Rahul Shah - CFO.

Now, I hand over the call to the Management for their initial comments on the Quarterly Performance and then we will open the floor for question and answer session. Thanks and over to you, Santosh bhai.

Santosh Raveshia: Thank you very much, team. Good evening, everyone. It is our pleasure to welcome all the participants to the Earning Call Conference for Q2 and H1 FY25. Joining me on this call is Mr. Rahul Shah - our CFO and the team from Marathon Capital, our Investor Relations Advisors.

Hope everyone had an amazing Diwali. We wish every one of you and your family a very Prosperous New Year ahead.

We are pleased to inform you that we have successfully completed the acquisition of 51.8% stake in Uniclan Healthcare Private Limited, a growing company engaged in manufacturing and marketing of baby hygiene products, mainly diapers and wipes. Our teams are now focused on expanding the distribution network of Uniclan. We recently held our annual sales conference in Jaipur wherein we also took an opportunity to introduce our entire channel family to the management, products and manufacturing infrastructure of Uniclan. The response from our channel partners as expected has been exciting. We are optimistic about our growth strategy in the baby hygiene segment and strongly believe that this acquisition shall have an overall positive impact on our growth plans.

During the quarter, we have been able to achieve a year-on-year sales growth of approximately 20% in the first half of the current financial year, largely driven by increasing sales of Writing Pens, Adhesives and Kits & Combination Packs as well as the positive impact of the Uniclan acquisition. We would like to thank our entire team and channel partners, whose efforts have helped us to achieve this growth in otherwise a difficult period with challenging demand conditions in the domestic market as well as growing global geopolitical tensions, especially in Middle East. The growth is also reflective of strong acceptance and expanding reach of DOMS brand and its unique product proposition.

DOMS domestic sales with an increase of 25% continues to be the main driver of growth and now constitutes 85% of our total sales. Leveraging our market network strength and following the technology and data-driven approach, we have been able to further strengthen our network in India, which has led us to this growth.

On the export front, owing to geopolitical tension, especially in Middle East, our export revenues have marginally got impacted, but we remain persistent, though watchful and vigilant, to capitalize on the growth opportunities in the export markets as well. We foresee improvement in export business conditions and going forward, as we have started receiving encouraging feedback from most of our customers across all the territories we operate.

On the product development and new product launches, I am pleased to share that we continue to introduce innovative and fascinating offerings for our consumers during the quarter. We have introduced new SKUs in Writing Instruments, Marker Pens, Adhesives, Kits & Combination Packs, Fine Art products, and other scholastic stationary materials. As always, we have received very encouraging and positive response from our consumers for these launches.

With regard to our core stationary and art material business, we continue to focus on increasing our manufacturing capacities with multiple ongoing projects, including the construction at the adjoining 44 acre land parcel. In the last few months, we have successfully increased the production capacities of mathematical boxes by 20%, paper stationary product by 20% post installation of the third automatic exercise book manufacturing line and are underway to increase capacity utilization of third Pen plant to reach the capacity of 1 million pens per day additionally.

Going forward, we are excited to kick off the upcoming back to school season with increase in our capacity of Pencils, Ballpoint pens and Paper Stationary products. Further the planned launch of school bags, which will be launched in the market starting from Q4 FY25 with attractive and interesting designs in all our sales verticals. Our business fundamentals overall remain strong with all the underlying metrices in place of strong pipeline of new products, increasing capacities, targeted market expansion strategies and a well entrenched distribution network. With this working seamlessly in tandem, we are on track of achieving our full year target of close to 20% growth in revenues for our core stationary and art material business.

With this, I would like to hand over the call to our Chief Financial Officer – Mr. Rahul Shah for the update on Q2 H1 FY25 Financial Overview. Thank you very much and happy New Year again.

Rahul Shah: Good evening, everyone. Wishing you all a great New Year. We would now like to highlight the details of our Financial Performance for the Quarter and 6 months period ended September 30, 2024.

To begin with, a quick overview on the consolidated Results for the 2nd Quarter Financial Year 2025. Consolidated operating revenues for Q2 FY25 stood at ₹ 457.8 crores, a growth of nearly 20% compared to the same quarter last financial year. This increase in sales was predominantly on account of increase in sales from office supply segments, on account of increase in sales volume of Ballpoint Pens, increase in sales of Mathematical Boxes and Erasers in the Scholastic Stationary segment, increase in sales of Adhesives and Kits & Combination Packs.

The EBITDA margin for Q2 FY25 stood at 18.8% as compared to 17.1% in Q2 FY24. EBITDA grew by 31.7% to ₹ 85.9 crores as compared to ₹ 65.2 crores in Q2 FY24 with a margin expansion of nearly 171 basis points. This margin expansion year-on-year was on account of slight increase in ASP's as compared to the previous year same quarter. Also, we have benefited from efficiencies playing out on account of increase in scale and size of operations resulting in better fixed cost absorption. As a result of these factors and on account of increase in other income and lower finance costs, on the PAT front also, we saw improvement in our margins from 9.8% in Q2 FY24 to 11.8% in Q2 FY25. PAT for Q2 FY25 stood at ₹ 53.7 crores.

Talking of our half yearly Results:

Our revenue from operations grew by 18.5% to ₹ 902.8 crores in H1 FY25 from ₹ 761.8 crores in H1 FY24. EBITDA for the first half current financial year grew by 35.2% to ₹ 172.3 crores from ₹ 127.4 crores in H1 FY24. Further, our PAT also increased from ₹ 73.9 crores in H1 FY24 to ₹ 108 crores in H1 FY25, a growth of approximately 46%.

Sequentially, quarter-on-quarter, our revenues from operations have grown by 2.9% to ₹ 445 crores reported in Q1 FY25. This sequential growth was primarily attributed to the consolidation of about ₹ 14.3 crores of revenues from Uniclan, which we started consolidating effective September 16, 2024. If we exclude the impact of the Uniclan acquisition, our revenues for the quarter were almost flattish compared to the immediately preceding quarter, which is in line with our historical trend as well when our revenues in the 2nd Quarter have been similar to the revenues in the first quarter.

During the quarter, we saw an increase in our accounts receivable, accounts payable and inventory cycle. The reason for these increase have been the increase in trade receivable on a standalone basis as well as the impact of the Uniclan acquisition which happened mid-month. Nevertheless, the working capital is still around 48.5 days, which remains within our targeted range of 45-50 days.

On the CAPEX front, we continue to focus on expanding our manufacturing capabilities to capitalize on the growth potential. During the first half of the current year, excluding the impact of the Uniclan acquisition at a consolidated level, the company has invested ₹ 57 crores towards capital expenditures including capital advances. These funds were primarily invested for the construction activities and purchase of new plant and machineries. The CAPEX during the quarter was lower on account of halt in construction activities owing to the monsoon season. However, construction activities at our 44 plus acres facilities have now begun in full swing and we are on track to have our first building ready by Q3 FY26.

With this, I would like to open the floor for question and answers. Thank you.

Moderator: Thank you. We will now begin the question and answer session. The first question comes from the line of Mr. Kunal Bora with BNP Paribas. Please go ahead.

Kunal Bora: I had a few questions. First, can you give us a full quarter performance of Uniclan, ₹ 14 crores for 15 days look like better run rate compared to what you had when you acquired the business, maybe around ₹ 150 crore and what is the outlook for second-half for Uniclan? And also if you can provide some sense on like you mentioned that you got good response from the distributors, what kind of benefit should we expect in the near term from that?

Rahul Shah: Kunal bhai, so Uniclan acquisition was completed on September 16, 2024. So it became our subsidiary effective that date for the 15 odd days of consolidated numbers that we have in, we had revenues of about ₹ 14.3 crores. From a run rate perspective, the monthly run rate of Uniclan is between ₹ 15 - ₹ 17 crores, but typically what happens with their size, a lot of their revenues get booked during the later half of the month. That is how typically that business operates. So from a current capacity perspective also, we believe Uniclan will continue to have a run rate of between ₹ 15 - ₹ 17 odd crores. Like we mentioned earlier, currently they have two automatic manufacturing lines with a total installed capacity of 40 crores diaper per annum. The third line has already reached Indian stores. It is currently under clearing from the ports, should come to the factory in the next week or so. And commercial production after testing and all should start by the end of the current calendar year. So in the first quarter there, we might see some increase in revenues due to this, but right now, this is where the revenue guidance is. And with respect to margin like we highlighted in the previous call, Uniclan when compared to our other core business stationary and art material is slightly lower with EBITDA margins close to about 5%-7%.

Kunal Bora: And what is the visibility you have for FY26 and FY27 because new capacity will come on board, so current run rate implies you will be doing about whatever ₹ 180 crore kind of revenue. So how does that look like in FY26 and maybe if you have any visibility on FY27?

Rahul Shah: Kunal bhai, right now, like Santosh bhai mentioned, we had our annual sales conference this year at Jaipur. The intention was to introduce our family of channel partners to the Uniclan team, the Uniclan infrastructure, their products. In this event, we also showcased the DOMS co-branded diaper packaging to all of them. The response from our channel partners was very exciting. I think conservatively speaking, we should have close to about 50.

Santosh Raveshia: So 50 of our channel partners have already confirmed their interest to participate with this particular new line, and I think it should be, if this 50 gets materialized, it's enough.

Rahul Shah: So we should look at more from a utilization rate, capacity utilization of close to 85%-90% in the coming financial year.

Kunal Bora: Which was 60% when you acquired the business, right and now it is what?

Rahul Shah: With the new plants for diapers and also they are installing a separate unit for manufacturing of the wet wipes, which will have a capacity of about 1.72 crore packs a year.

Kunal Bora: And can you also explain the guidance of 20% growth that I believe excludes Uniclan, right? And which will mean that the core business ex-Uniclan should have a stronger second-half compared to first half?

Rahul Shah: Kunal bhai, yes, the 20% growth guidance that we have for the full year is excluding the impact of Uniclan. For those that core business, we are having a revenue growth target of close to 20%. The key driver for this growth shall be the increase in capacity in our Ballpoint pens, Adhesives, Fine Art products and hobby products like fabric acrylic, fabric colors that we have recently launched. Further, we will also get a little bit of benefit from the increase in capacity of wooden pencils towards the last quarter of the current financial year. These factors, coupled with improving market sentiments and the beginning of new back to school season should help us achieving in the target growth of about 20%. Along with Uniclan being consolidated for the entire second-half of the Financial Year 2025, our consolidated revenue growth for FY25 should be approximately 23%-25%. At Uniclan, we will be able to see increase in volumes also as the production capacity shall rise once their third line is installed and ready for commercialization.

Kunal Bora: And paper business seems to have seen some decline. Is it because of decrease in paper price or anything else?

Rahul Shah: It is a mix of both two factors, one like you rightly said, this segment saw a marginal decline of about 6.4% during this period primarily attributed to decrease in a little bit of paper prices where we passed on the benefit to our consumers and customers and slightly sluggish demand especially coming on the export front from US. So as a result of these factors, we saw a slight decline, but we remain optimistic with launching new products. The entire design philosophy of our books, we are changing them, the new designing and everything it is something which is very fascinating. So we are optimistic for this segment and with the new line that we have installed now, I think this business should see a significant uptake in Q3 and Q4.

Kunal Bora: On the Pen business, how have you done, what kind of market share that you achieved, what is the industry doing and like when the new capacity comes on board, where do you expect to end the year in terms of sales?

Rahul Shah: Kunal bhai, historically also, we never guided for any particular product or how much we will do. But we continue launching new SKUs within our Pen segment also. Today, we primarily now have 5 different products within the Ballpoint Pen segment which among them have 22+ SKU's with different pack size and colors. We also recently launched our gel pens and have a strong new product pipeline to be launched as we increase the production from the new facility which got commercialized. From our thought process for this segment, as you know, our most important customers have always been young kids and consumption is more school driven, so company believes in having a rationalized approach towards new product development as well as pricing. So we will continue to focus on these segments, come out with new SKU's, attractive packs, attractive products and we are hopeful that we will soon be short of capacity for this segment also.

Kunal Bora: So currently, are you operating at full capacity or?

Santosh Raveshia: So currently we are operating with almost 100%, I can say capacity utilization. As Rahul bhai mentioned, we are mainly into ₹ 5 and ₹ 10 pens which are mostly addressed to school kids. So as of now, we are out of stock each day.

Moderator: Thank you. The next question is from the line of Jinesh Joshi from PL Capital. Please go ahead.

Jinesh Joshi: Sir, one observation on our distribution mix. So if I look at our distribution count or rather the distributor count, it stands at about 4750, which is similar to what it was in the previous quarter, but if I look at our retail touch points, it has increased by about 10,000 to 1,35,000 touch points. So if you can explain the reason behind this and the quantum appears to be quite big, if I talk about the sequential increase, so any thoughts on that?

Rahul Shah: So, basically Jinesh, this increase has happened is basically at the retail level where we had about 1,25,000 plus retail outlets when we spoke last and now we have increased it by 10,000. This entire universe is huge, close to 300,000 plus retail outlets. Our current partners within the network, which are stockists and distributors are well invested and capable enough of handling this larger volume from a retail expansion purposes and therefore we have not found the requirement to increase the distribution strength or the super stockists strength. This is something as we grow, we keep evaluating. If we feel that our current channel partner for that particular geography is not being able to do significant justice, then only we try to open a new partner in the ecosystem. Till the time they are able to do justice, keep investing as per the requirements and norms of the company and if there is no such need, then this network expansion is really not required. But retail expansion, as we mentioned, we will continue to do it in a very concentrated way whereby we will ensure that the throughput each outlet is maximized and only then keep increasing. And to meet the requirements of this retail universe, we have increased the sales team from 675 plus people, now that you see of 750 plus and this expansion will further happen.

Jinesh Joshi: Any specific geography that we have targeted because 10,000 appear to be quite big if I looked at the last 4-5 quarters or rather 3-4 quarters?

Rahul Shah: So it has been almost pan India, nothing specific geography wise.

Jinesh Joshi: And I just want to understand the topline growth a bit better. So we reported about 20% growth, but obviously a contribution of 3% comes from the hygiene product and if I look at our like-to-like growth and knock off the hygiene product revenue, our growth will be at about 16%? And also I believe that pens as a category is blossoming and the contribution in 2Q will be much higher than what it would have been in the previous quarter although we are not sharing the numbers as such which apparently indicates that the growth in the other core categories is perhaps a bit slow, paper is one example that you gave that witnessed compared to decline this time around, so are we seeing any kind of growth challenges in any other category because apparently, it appears that newer categories are basically the key levers for growth for us?

Rahul Shah: Jinesh, if I have to talk about category level growth, our Scholastic Stationary, which is the largest category for us that have witnessed the growth of about 12%, Scholastic Art business grew by 7%. So we need to understand little bit, while these two segments, you might think the growth was a little lower, but Kits & Combination Packs sales grew by about 23%. Now, Kits & Combination Packs is something which is manufactured using products from all these segments, which is scholastic stationary, scholastic art, it is a combination of these products. So what happens is this was the season where this quarter we saw a little bit of festivals, Onam came in, the Durga Puja, the buying that happens for Durga puja that all came in this quarter. So Kits & Combination Packs demand increases. So as such across all our segments, we continue to see a strong growth, strong demand. It is just that at an SKU level or segment level, it might change depending on like festive season, non-festive season, exam season, back to school season. At that level, there might be a little bit of changes, but momentum has been strong. Definitely, like Santosh bhai highlighted, there were certain challenges in the market, but with the support of our team and partners, we have been able to do reasonably well and given the capacities will increase going forward, our ability to serve the market would also improve.

Santosh Raveshia: So Jinesh bhai, I am sure you are aware that we have a new pencil plants coming up with the massive capacity of around 2.5 million pencils a day. So once that capacities are in place I am sure you will see a significant growth for that particular product and for the stationary business as well.

Jinesh Joshi: Sir, one last question from my side. In the opening remarks, you mentioned that we will be kind of launching a new school bag in 4Q of FY25 and basically that is the period when the back to school business will gain momentum. So any thoughts or particular aspirations that you have with respect to achieving some kind of basically some topline number that you have in mind and also if you can share what kind of EBITDA margin does this category make because Diapers is basically a margin dilutive category for us. But will this category have margins similar to what we are reporting or will it be higher? Any thoughts on that? And also some numbers, any aspirations that you have to scale this business going head?

Santosh Raveshia: Jinesh bhai, our SKIDO revenue from operation stood at around ₹ 1.8 crore in Q2 FY2025. If you see a sequential growth, it was 26% as compared to quarter 1. So basically I think this is a business where we are just taking very initial steps. For us important is that we deliver a very excellent product to the trade primarily. And this business is absolutely going to be a business driven by enough margin, in lines with the margins of DOMS. And we are sure that in another couple of quarters, we will be able to give more light to your answer. So for now, please wish us all your best wishes to graduate ourselves in this particular line as well.

Moderator: Thank you. The next question is from the line of Sneha Talreja from Nuvama. Please go ahead.

Sneha Talreja: Sir, my question was more related to margins. You have been surprising us on a positive note for consecutive 2 quarters even of last year. Now, you have guided for 17% of the margin and I understand your Uniclan will come with a lower margin, but to achieve the 17% run rate, we will have to go down to 15%, which is what we don't foresee going in the second-half. So would you like to give any revised guidance for both FY25 as well as the coming times for the margin front?

Santosh Raveshia: Sneha, our consolidated EBITDA margin for Q2 FY25 stood at about 18.8%. This margin expansion year-on-year was account of increase in ASP's and also the benefit from efficiencies. However, sequentially, if you just see the results, you see that margins have declined from 19.4% to 18.8%, a decline of about 60 basis points. This decline in EBITDA margin is primarily due to certain raw material prices increasing and slight increase in selling and distribution costs and advertising spends with Uniclan being consolidated. At Uniclan, the EBITDA margins are between close to about 5%-7%. So if you see the entire second-half being consolidated with the sales of about, run rate of about ₹ 15 - ₹ 17 crores, we believe on an average, the DOMS consolidated margin should come in the range of 17%-17.5%. And also on 3rd October, we distributed ESOP to the eligible employees of the company. The accounting of ESOPs for this 6-month period also should have an impact of about 0.2-0.3% on the margin. Therefore, you can definitely do the math well, you will see probably our margins coming to that range of about 17%-17.5%.

Sneha Talreja: Secondly, I would like to know if we have spoken a lot on the Uniclan acquisition, but just wanted to go back with some numbers, how are we doing with other acquisitions that took place, be it SKIDO, what are the plans at this point of time in those acquisitions ClapJoy? Some sense that would be helpful?

Rahul Shah: So to start with, Santosh bhai already highlighted that SKIDO did a revenue of about ₹ 1.8 crores in the 2nd Quarter, which was the sequential growth of 26%. Currently, about 60% of the business of SKIDO comes from selling the products to DOMS, which DOMS utilizes in its Kits & Combination Packs. Like we said, the product line is more or less ready, we would be introducing these products to the market by Q4 2024 and this will be across all our sales verticals. So once the launch happens, once we start getting feedback from the customers, we will have a little bit of better idea, but this will be a slow and steady sort of a thing because we will have to collect a lot of market intelligence and based on all the data that we receive, we will probably have a better sort of answer to your queries in the next or the call after that. With respect to ClapJoy, the revenues of ClapJoy in the 2nd Quarter stood at about ₹ 2 crores, which was the growth of about 12% sequentially. In ClapJoy, if you see year-on-year, so being close to the full year numbers what they achieved in the previous year, we are very close to achieving that in the first 7 months of the current year. So there we are seeing good growth. Also ClapJoy now has started, has launched products which is co-branded with DOMS. This is resulting in improved acceptance of their products. A lot of our channel players have started selling ClapJoy products as well. So both these companies, SKIDO and ClapJoy are still on the learning curve and probably over the next, I would say about a year or 18 months, we would have a better sense of how these businesses will go on. In terms of our other key subsidiaries, pioneer stationary we mentioned that this year, this quarter they had a little bit of a downward trend in terms of revenues, basically because of decline in raw material prices and hence the selling price where we passed on the benefits to the customers. And also there was a little bit of impact on export sales primarily to the US; however, their EBITDA has increased by approximately 5% during the period because of again the raw material prices. In terms of capacity, currently, we are at about 70% utilization. With the new plant coming in, our capacity increases by about 20% and we are hopeful with the new product launch, that the redesigning that has happened, we will be able to have a great back to school season for the paper stationary segment. Last is, Micro Wood. Here also, like we said our capacity for mathematical instrument boxes increased by 20%. All these boxes get supplied by Micro Wood - the Tin division where we continue to increase capacities. Even in the paper division, which supplies us primary packing material, we continue to invest increase capacities by almost 20%-25%. So overall, all subsidiaries are doing well. Some need to be nurtured, the nurturing is happening and very soon we will have positive results from all of them.

Moderator: Thank you. The next question is from the line of Resham Mehta with Green Edge Wealth. Please go ahead.

Resham Mehta: Sir, the first one is on Uniclan, if you could just comment on the working capital cycle, how divergent it is from our core stationary business? So that is the first question?

Rahul Shah: So basically, in terms of the working capital cycle, in terms of accounts receivable, yes, because they are new and a growing company, they need to give an extended credit period. The credit period for them typically is close to about 60 days right now, but other than that, their account payables and inventories are pretty much line with our trends, which is about 25 days and about 40 days respectively.

Resham Mehta: And since you had the new sales conference, right, so if you could just comment on how much is the overlap between the super stockists and distributors of Uniclan and the core stationary business?

Rahul Shah: So basically, there is no overlap as such. The entire perspective of doing this in Jaipur was to introduce our channel partners to the product and to the company management infrastructure. A lot of our existing channel partners in the stationary and art material segment have shown interest to become channel partners for the Uniclan products as well.

Santosh Raveshia: So you will see the overlap.

Rahul Shah: The overlap will now come in, but the excitement levels are high and like we said, more than 50 of our channel partners have shown interest in becoming channel partners for Uniclan as well.

Resham Mehta: And what is SKIDO business, I just missed this. So we are yet to launch products and that happens Q4 FY25 current financial year onwards, did I hear that right?

Rahul Shah: Yes. This product is a little seasonal from a back to school perspective. Bags, you see there is a very high demand comes during the back to school season. So our intention is to launch this new line of DOMS bags in the market during the upcoming back to school season and hence we planned the launch around end of the third quarter, beginning of the fourth quarter.

Resham Mehta: And lastly on the pens business, so would it be possible for you to quantify the Pen revenues for the first half of this financial year versus what was it last year and also the revenue variance of ₹ 5 Pen segment within the overall revenue?

Rahul Shah: So at the Pen level, a little difficult, but if you see office supplies, which predominantly constitutes pen, we have seen a growth of approximately 97%. Our office supply business in the first half stands at about ₹ 96 crores compared to about ₹ 48 crores in the previous year same period and this increase has been primarily driven through the increase in volume and sales of writing pens.

Resham Mehta: And how much was it in the last first half, H1 of FY24?

Rahul Shah: About ₹ 48 crores that also included pen business, significant amount of pen business. So the ballpoint pen business and all started. Actually, we launched writing pens in June 23.

Resham Mehta: And the revenue variance of ₹ 5 pen within the Pen revenue?

Rahul Shah: So honestly, Resham, we actually don't have that figure of break up, but like we mentioned predominantly our products are targeted towards kids and school consumption. Currently, maximum pens that we sell are under the ₹ 5 MRP segment and ₹ 10 segment. The new facility that we started for pens, their the focus on ₹ 10 is slightly higher while the current two facilities is more for the ₹ 5 segment.

Moderator: Thank you. The next question is from the line of Aniruddha Joshi from ICICI Securities. Please go ahead, sir.

Aniruddha Joshi: So my question is, what is the 3-year in a way business plan or 5-year business plan in terms of the export business? Because we are doing exceedingly well in domestic part of the business, so whether the management will be investing more time in driving the domestic business more or how we should think about in terms of the export business because it is not just one geography, multiple geographies. So some amount of management bandwidth in a way in different geographies will also be required. So how should we think in terms of 3-5 year window on that?

Santosh Raveshia: So basically, as of now we are present in about 50 plus countries where we sell our DOMS products. To increase our presence to more countries, we are already in discussion with FILA subsidiaries across the world where they have better presence and we are likely to start our launch through FILA subsidiaries in those countries where we are not present right now from the beginning of the next financial year. Here, the target is very simple that as our domestic business is also going very rapid, we would like to maintain a balance of about close to between 15%-20% of business coming from exports. As it has always been domestic driven company and still we feel that there is enough space to occupy business and increase our business in domestic, we would love to be remain little conservative in terms of growing our exports too much extensive. So you can expect a range of around 15%-20% which will come from our export part of business in another 3-5 years.

Aniruddha Joshi: Second question is on the brands other than DOMS, so for example, we have some brands like C3 or even Fixy Fix or to some extent Neon is a sub brand, Amariz is also one brand. So how is the performance of these sub brands? And will we see more investment in the sub branding or driving these brands relatively bigger from current levels so as to diversify from DOMS brand also?

Santosh Raveshia: So I will just explain. Here you know, what brand DOMS's got. So basically C3 is a brand which is more of a rural brand which sell our non-wood pencils. This business has been growing, not extensive, but in a gradual way. There is another brand which is Amariz, which is our fine arts brand and this particular brand, we just started this in the early this year. So this is sub brand of DOMS and the business from Amariz has just started seeing the light since last quarter. We are expecting very decent and very aggressive results in another quarter to come. There is another brand which is Fixy Fix which is a brand related to our Adhesive category. And we again started very early this year and we are expecting the same results, very positive results. The initial response from the market has been very well accepting and I am sure in another couple of quarters, we will have more light on the results as well.

Rahul Shah: Aniruddhaji, just to add Fixy Fix, Amariz are all sub brands, so whenever we talk about the DOMS sales, it includes the sales of Amariz and Fixy Fix. Going forward, we will have one additional brand which would become significant, Wowper, which will be for the baby hygiene product segment. But otherwise the three umbrella brands you can call would be DOM, C3 and others.

Moderator: Thank you. The next question is from the line of Aditya Deorah with Divisia Investments. Please go ahead.

Aditya Deorah: Sir, what kind of capacity we are working for the school bag, which we plan to launch in quarter 4?

Rahul Shah: For what product Aditya bhai?

Aditya Deorah: I am asking like what kind of capacity we are working for the schools bag, which we plan to launch in quarter 4?

Santosh Raveshia: Aditya bhai, we would like to start with around 25,000 bags a month, to begin with. Once we start getting the response and the more intellect about the market, I think we will gradually increase the capacities there.

Aditya Deorah: Your bags are of really good quality, the ones you provide in the kit. Any other white spaces we are working on right now?

Santosh Raveshia: Not really as such.

Rahul Shah: We are not, something, but as a company, we are always looking for exciting opportunities within our universe. We love partnering with technocrat people who love their product, have good understanding of manufacturing capabilities and if there is anything interesting, we will always keep evaluating, but as of now, the focus is definitely on successfully implementing our growth plans for the stationary segment and at the same time, doing justice to the Uniclan acquisition.

Moderator: Thank you. The next question is from the line of Kunal Bora from BNP Paribas. Please go ahead.

Kunal Bora: On pen, can you talk about like the competitive intensity, you are rapidly expanding capacity and you would have gained market share. Are you seeing any response from the competition, especially in ₹ 5 segment where you might have gained market share? And also, what is the distribution reach now versus the market leader?

Santosh Raveshia: Probably, like when we entered with our ₹ 5 pen, probably, the most of the organized players had already withdrawn from this particular category, this particular price point. So right now, luckily we have a first-mover advantage when it comes to organized players in writing instrument for ₹ 5 segment. Of course, we are expecting certain comebacks, but still we right now are enjoying first mover advantage. And as I said, we are selling all the capacities we produce and we are still working on more capacity for the time in another certain months to come.

Kunal Bora: So far, you have not seen any response from the competition and you continue to gain market share, especially in the ₹ 5 pen?

Santosh Raveshia: I think yes, we are doing well and we will keep doing well because our products are unique, our products are very distant from what is right now available. So it looks like we will be doing good.

Kunal Bora: But you are making decent margins in ₹ 5 and competition which might be larger compared to you is not able to make margins in ₹ 5 pen. Is that how it is working out?

Santosh Raveshia: Kunal bhai, we always work on technology and high tech solutions. So I am sure, if you have seen our plants, we are much more high tech and they are fully driven with automation and robotics. So with the help of this automation and technology, we are able to produce this ₹ 5 pens and also make a decent margin for the company.

Kunal Bora: And lastly, can you talk about the timeline of the new factory going live? Are you on track to get the first factory up and running in the new plot of land by end of 25? Also if the market remains like you are not seeing weakness, but otherwise market is weak, generally consumer demand is weak. Would you look to postpone or spread out the capacity utilization if the big market remains weak or you are fully confident that there will be enough demand?

Santosh Raveshia: Kunal bhai, we are fully confident about the demand and we are also confident about the pipeline of the innovation that we have in place right now. What we are just waiting for is that the start of the new plant which is likely to start in FY26 and that is the only wait we have, but still with our existing capacities, we are trying to accommodate all the new nests what we are bringing to this particular category right now.

Moderator: Thank you. The next question is from the line of Mosam Mehta with Wealth Guardian. Please go ahead.

Mosam Mehta: Just wanted one bookkeeping question regarding the sales break up for last year – September'23 quarter?

Rahul Shah: From a segment wise perspective?

Mosam Mehta: Yes, product category wise, yes, so scholastic stationary and all.

Rahul Shah: So in Q2 FY23-24, scholastic stationary was approximately 44%, scholastic art was about 28%, Kits & Combination Packs was 9%, similarly paper stationary, office supplies was about 7%, Hobby and craft, Fine Art were close to 1%. And that time we did not have anything in hygiene, so that was 0%. Others were some other trading and all such things.

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

Santosh Raveshia: Thank you everyone for your precious time and looking forward to meeting everyone again next year very soon. Thank you again. Bye-bye.

Rahul Shah: Thank you very much.

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