



**“DOMS Industries Limited
Q4 & FY26 Earnings Conference Call”
May 19, 2026**

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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 DOMS Industries Limited Q4 FY26 Conference Call, hosted by ICICI Securities Limited. 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 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.

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

Aniruddha Joshi: Yes. Thanks, Aaron. On behalf of ICICI Securities, we welcome you all to Q4 FY26 and FY26 results conference call of DOMS Industries Limited. We have with us today senior management represented by Mr. Rahul Shah, Chief Financial Officer.

Now I hand over the call to Rahul bhai 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 bhai. Good afternoon, and a very warm welcome to everyone. Thank you for taking the time to join our Q4 and FY26 earnings call. Joining me on this call is the team from Marathon Capital, our Investor Relations Advisor. I hope that 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.

To begin with, let me take you through the highlights for Q4 and FY26 performance. I am pleased to share that we have closed the year on a positive note, delivering steady performance across key metrics. Our revenue for the year grew by 21.6%, surpassing our full year guidance. Some of the key drivers aiding the growth were:

First, new product launches across categories with attractive ergonomic and user-friendly designs that resonated strongly with consumers and gained strong traction. These new launches include pencil boxes and well-designed school bags in time for the BTS season, exciting new range of pens and mechanical pencils, stamp pads in the office supply segment and a number of differentiated SKUs in scholastic stationery, scholastic art, hobby and craft, and kits and combo packs. The new range of paper stationery products with fresh designs were also well appreciated by our consumers.

Secondly, we witnessed sustained growth across all our product categories. Growth in certain categories, which were aided by capacity additions during the year, outpaced the growth in other categories. Nevertheless, through improvement in our product offering and increase in ASPs,

we were happy to state that other categories, where no substantial capacity additions were made during the past year, also delivered positive sales growth.

Thirdly, the demand scenario in the domestic market continues to remain buoyant and was a key contributor to growth, underpinned by strong entrenched distribution network, robust brand equity and a well-diversified product portfolio. At the same time, exports also delivered steady double-digit growth despite global uncertainties, including trade tensions, geopolitical conflicts and regional instability, reflecting continued demand for our products in international markets as well.

The love, trust and acceptance that our consumers have shown towards our brand and products is unparalleled. Building on this bond, we continue to focus on strong consumer engagement through active participation in events, conferences, exhibitions in India as well as globally. I'm pleased to share that our social media community has scaled significantly. YouTube subscribers have now crossed 4 million and Instagram followers are over 170,000, reinforcing DOMS as one of the most admired brands in stationery and art materials.

Coming to the details of our financial performance - firstly, on Q4 performance.

Revenue for Q4 FY26 grew by 18.7% to INR604 crores, highlighting a sustained growth trajectory, primarily led by buoyant demand scenario in the domestic market with higher growth coming from office supplies, hobby and craft and back-to-school, aided by increased capacities and new launches.

Our consumption margins remained broadly stable despite raw material volatility linked to the West Asia crisis intensified in the later part of the quarter. The consumption was primarily of lower cost inventory built as a part of our strategic stocking.

EBITDA for Q4 FY26 grew by 14.4% to INR100.9 crores with an EBITDA margin at 16.7% in Q4 FY26 as compared to 17.3% in Q4 FY25. The moderation in EBITDA margin is partly due to the onset of the seasonal slowdown in the baby hygiene segment, which impacted fixed cost absorption. Further, the increase in contribution of e-commerce sales in the baby hygiene segment also led to higher advertising and marketing and freight expenses.

PAT for Q4 FY26 grew by 13.5% to INR58.2 crores and PAT margin for the same period stood at 9.6% compared to 10% in Q4 FY25.

Coming to our performance for the financial year.

Revenue from operations for financial year 2026 grew by 21.6% to INR2,326.4 crores as compared to FY25, surpassing our guided range led by healthy growth, both from domestic market as well as direct export of DOMS branded range of stationery products.

Consumption margins were broadly consistent for FY26 at 43.6% similar to FY25.

We are pleased to report an EBITDA growth on an absolute basis of 15.5% for the full year to INR402.6 crores with EBITDA margin at the higher end of our guidance. The EBITDA margin

softened to 17.3% as compared to 18.2% in FY25 on account of higher Uniclax contribution in the overall consolidated operations.

PAT for FY26 grew by 12.2% to INR239.6 crores. PAT growth was relatively lower than revenue growth primarily due to decline in other income. This was a result of higher utilization of cash towards capital expenditure, which aligns with our disciplined growth-focused capital allocation strategy. Despite this, PAT margin for the year remained healthy at 10.3%, reflecting the underlying strength of our core operations.

Coming to our expansion initiatives, we continue to focus towards building the base for our future growth in terms of capacity creation and expansion. Our capex was primarily towards the development of our 45-acre land parcel, acquisition of additional land parcels, both in Umargam and Jammu for our future expansion as well as procurement and installation of plant and machinery in the existing infrastructure as well as for the commercialization of the 45-acre facility.

The company totally spent around INR292 crores in FY26 towards these objectives. As a part of the phased development of our 45-acre facility, the first building is on track for completion in June 2027 with commercial production expected to commence towards the end of Q2 FY27. Significant investment were also done in expansion of our moulding capacities, writing instruments as well as in the adhesive manufacturing infrastructure.

Speaking about our outlook - As we enter the new financial year, we do so in an environment of elevated uncertainty and volatility primarily stemming from the ongoing developments in West Asia, which has resulted in significant increase in prices of raw material. As a part of our operating framework, we have initiated a set of calibrated measures to minimize the impact of such geopolitical disruptions.

Our first priority is to maintain continuity of our manufacturing and safeguard our supply chain. We are actively working to minimize any margin impact and have started implementing focused measures as the situation evolves. These include balanced and gradual approach to pricing and continued focus on cost efficiencies. The overriding principle is that any pricing action must be taken in a way that does not impact our market share or competitive positioning.

Our approach continues to be measured and disciplined drawing on past experience in navigating periods of disruption, where a focused and prudent response has supported sustainable growth over time. With our strong brand, distribution reach, new products pipeline and capacity investments underway, we believe we are well positioned to deliver on consistent growth. Therefore, despite the current geopolitical and regulatory uncertainties, we have lined up a capex plan between INR250 crores to INR275 crores for FY27.

Thank you. And with this, I would now request to open the floor for question and answers.

Moderator:

Our first question comes from the line of Aradhana Jain with 360 ONE Capital.

Aradhana Jain:

Congratulations on the continued good set of performance. My first question is the core stationery segment delivered 19% growth this quarter. Could you help us understand whether

there was any element of channel stocking ahead of the raw material price increases that led to this kind of growth or it was entirely driven by the underlying consumption demand?

And related to that, how was the secondary sales trend versus the primary sales during the quarter? With this also, if you could highlight which are the specific categories or SKUs where we are seeing those kind of price hikes currently? And how much is the price hike that we've taken? That's my first question.

Management:

Hi Aradhana, thank you. So Aradhana in Q4 FY26, revenues from operations were about INR604 crores total, growing at about 18.7%. Our core stationery business also grew at similar levels. This was not a part of any channel stocking or anything because we closely monitor our primary sales vis-a-vis, the primary and our secondary sales. This was, I think it's the back-to-school season and in the season, there is always an undercurrent for higher demand of products. So that was what we've seen and nothing with respect to any channel stocking for expected price rise or something like that.

In terms of your second question with respect to raw material -- to mitigate the impact of raw material prices, the company has taken certain calibrated steps where we are gradually passing on some of this to our consumers. As a first step, what we've done is -- wherever we could believe we could rationalize our channel margins or we could rationalize the schemes and discounts, we've taken that step, which has resulted in about 4% to 5% increase, which has been passed to consumer, and this is across different products, not any specific SKU or product category.

Aradhana Jain:

Understood. And the second question is, so if the current geopolitical situation sustains for, say, another 2 to 3 months and the crude yield inflation remains at the current elevated levels that they are, would -- could the EBITDA margins take a hit going forward? Or would we still continue to guide at the 16.5% to 17.5% band?

Management:

So the near-term environment remains uncertain. A significant portion of our input basket is directly linked to crude derivatives, which makes cost trends especially sensitive and highly volatile to the developments in the West Asia conflict. While the situation has improved versus the peak uncertainty in the month of April, the environment is still very volatile and far from stable.

On an average, we have seen our raw material cost increase by approximately 15% to 17%, while the pricing actions taken so far are around 4% to 5%, which naturally creates a near-term gap. But given the current commodity environment and the volatility arising, we do expect margins in Q1 to remain slightly under pressure versus the corresponding period last year. But we do not view this as a structural revision of our margin -- long-term margin profile, but more of temporary.

Our focus currently is to maintain healthy growth momentum, ensure we protect and improve our market share while simultaneously driving cost efficiencies through calibrated pricing actions. Hence, providing a definitive margin profile for FY27 at this point of time would be a little difficult. But in the near term, we might see certain impacts. But in the long term, we believe that structurally, the company would continue to do the same sort of a margin profile.

Aradhana Jain: Understood. Last question from my end. On the office supply side, we've delivered very great growth over the last few quarters. What are the major growth drivers in the office supplies, which is leading to -- I mean, I know it's pens, but if you could throw some light of how the pens segment has been performing? And also, if you could help us understand what is our current market share in the organized office supply space, specifically pens and how do we see that evolving over the next 3- to 5-year period?

Management: Aradhana, along with ball point pens, as you rightly said, another category within the office supplies broad category was highlighters, again, a product which we launched towards the end of last financial year. That product category has also done well. So highlighters along with ball pens has helped to increase or resulted in the increase in sales of the office supplies segment.

We continue to invest significantly in our writing instruments segment, especially ball point pens and highlighters. We believe both these segments have a huge headroom for growth. And once the new capacity additions come in, plus the capacity additions that happened towards the later half of the year, last year when -- they are available for utilization throughout the current year, we believe these segments to continue to grow.

We typically don't evaluate or measure the market share or the size of the market number, so would not be able to share absolute details on it. But we believe there is significant headroom to grow in the office supply segment and the company is taking the required capital plans to increase capacities in this segment.

Moderator: The next question comes from the line of Percy Panthaki with IIFL Securities.

Percy Panthaki: Just wanted to get a sense in the last such inflation that we saw, which was around the Ukraine war, I think, FY'23. If you can just tell us what was the total price increases over whatever 12-, 15-month period that you had pushed through at that point of time compared to the 4% to 5% that we have taken now?

Management: Hi Percy bhai. I will not have a definite answer to what we did in the past in terms of the exact numbers. But the approach was very similar. It was an approach which was taking calibrated and gradual measures. The first thing that we typically do in such a scenario is try to figure out what scheme, discount or margin rationalization that we can do.

Second is then we do selective and gradual MRP increases. These are done only after the scheme rationalization, margin rationalizations are done. So we evaluate and then take selective balance and gradual direct MRP increases. In the branded product segment like ours, sometimes it becomes very difficult to take any immediate and frequent price changes. So hence, we believe that MRP changes should be triggered only when you exhausted all other options.

Percy Panthaki: No, I get the broad approach, Rahul, but since you were there at that time, even if you don't know the exact number, some kind of ballpark idea you would have, what kind of price increases, including scheme rationalization, etc, at a net realization level, what was the increase that we have taken?

Rahul Shah:

At that point of time, Percy bhai, one, our dependence on polymers in our total raw material basket was not that very large because we were just about to enter the pen segment that time. That time, primary sales used to come from scholastic stationery and scholastic art. So the dependence was less.

But having said that, at that point of time also, we've taken about 4% to 5% increase across the impacted products. And what happens is certain inflationary cycles are structural and driven by long-term demand supply imbalances, while others are more event-driven and volatile like what we are seeing right now. So in such an environment, our pricing actions have always been in a phased manner rather than abrupt price increases. So similar action we have taken during the Ukraine/Russia war as well as if you see during the COVID disruption, where for some time, the prices had increased significantly.

And what we've seen in the past that whenever we've taken aggressive pricing moves, can sometimes lead to loss of shelf space to new entrants and existing competitors. Hence, we would want to be a little balanced and gradual in this approach, which we believe will support long-term sustainable growth both in revenues and margins.

Percy Panthaki:

And if there is a gap between the cost inflation and the price increase you have taken and there is margin pressure on account of that, what are the drivers or levers that you have in order to sort of at least partially mitigate that margin pressure? And to what extent you can mitigate, supposing if the overall gross margin is down by X percent, I mean, X amount, will it be half of that, that can be mitigated? Or is it 75% or roughly what amount can you mitigate of the pressure?

Management:

Percy bhai, eventually, we believe that we will be able to mitigate all of these pressures, but it will have to come in a gradual manner. That is what we are trying to say. First thing what we typically do is evaluate that in our current margin profile, operating structure, what are the cost efficiencies we can get, restrict certain expenses like marketing, advertising, be very efficient -- in such time you try to be efficient with these spends.

Then like I said, we work very closely with our channel partners and with constant interaction and a consultative process with them, we try to rationalize the schemes, rationalize the product offering and then look at MRP increases.

In the past also when there has been a sustained price increase and after they had stabilized towards the higher end of the increase, then we have taken calls to increase our MRP of our products also. That's how pencils moved from INR55 a pack to INR60 a pack.

Moderator:

The next question comes from the line of Jinesh Joshi from PL Capital.

Jinesh Joshi:

Sir, my first question is on the RM basket. Can you share what proportion of our RM basket is crude linked? And secondly, out of the INR377 crores of inventory on the balance sheet, can you share how much of it is the RM inventory?

Management:

So Jinesh, basically, to answer your first question, we would categorize our raw material basket into 3 segments. One would be about -- which has a direct link to crude and its derivatives, which would be roughly about 40-odd percent, then there is about 30%, which is indirect linkage. When I mean indirect linkage, means probably in manufacturing of that raw material, there are some crude derivatives which are used. And third would be having something like a minimalistic impact. So that's how the raw material basket is structured.

When I compare the data from the time this geopolitical tension started till about 15th of May on a weighted average basis, we think that there has been an inflation of about 15% to 20% in the raw material basket putting across the weights in the purchase. Jinesh, your second question was, sorry?

Jinesh Joshi:

RM inventory, out of that INR377 crores of inventory that we have?

Management:

So out of the INR377 crores of inventory that we have, about INR140 crores would be in terms of raw material and packing material, around INR55 crores would be in terms of work in process and the rest is finished goods, stock-in-trade, etc.

Jinesh Joshi:

Understood. And secondly, how are we trying to tackle this RM inflation, especially in pens? So I believe we operate at 2 price points, which is INR5 and INR10. Now even if I randomly assume a 10% hike, the revised MRP could be INR6 and INR11. And these price points may not be very convenient to operate given the change issue. So I mean, is it safe to assume that we are absorbing the polymer inflation in the pens category?

Management:

So what has happened is if you see, the market has evolved a lot. Definitely earlier times, the market was where single pen used to be sold. But over a period of time and especially with after DOMS entry, what we've done is, let's say, we made packs of 5 pens, which is one of our high-selling SKUs today. In that also, if you remember earlier also, the 5 pieces packs were always priced at INR30. That seems to be like INR6 per pen. But the way it was structured in the market was as if it was INR5 pen.

So such decisions that we had taken in the past has really helped us because now you just need to revise that to like INR6 MRP product, right? So that is what -- that's how the margin rationalization in the channel has helped us in the initial phase of this uncertainty. How it's like INR30 pack, then you'll make it like -- if you have to further increase it, you make it a INR35 pack. So then you'll, in a way, try to mitigate the impact of coinage issue.

Jinesh Joshi:

Okay. Sir, just one follow-up on this. I mean, what proportion of our pens are sold in the packs that you mentioned? And one related bit on the RM inflation is that while we have seen inflation hit us in the month of March, we have seen gross margins expand on Y-o-Y basis, but EBITDA margin has compressed. So if you can just explain this bit as well.

Management:

Am I audible? Sorry, can you hear me?

Jinesh Joshi:

No, sir, I did not hear your response.

Management: Okay. So gross margins for the quarter were largely steady, but EBITDA declined due to higher operating costs. The main reason was increased contribution from e-commerce sales in our baby hygiene business, which is done through Uniclax. The e-commerce business has a slightly higher selling and distribution cost structure, including digital marketing spends.

While we take very -- we are happy that e-commerce business is growing because it shows that the repeat order levels have increased. But at the same time, because of this, there was slight EBITDA margin compression despite stable gross margins. And going forward, once the Uniclax business becomes like a steady business, then this would also get absorbed.

Moderator: The next question comes from the line of Sneha with Nuvama Wealth Management.

Sneha: You mentioned a lot on Uniclax, that margins have actually deteriorated. One of the reasons is Uniclax's operations. So where are we in terms of margins only on the Uniclax basis?

Management: Where are we on the margin profile? What did you ask?

Sneha: Yes, for the Uniclax. What are the margins for Uniclax?

Management: For the quarter?

Sneha: Yes, for the quarter?

Management: So in Q4, Uniclax's revenues were about INR55.9 crores and EBITDA margins were close to 6.3%.

Sneha: Which last quarter was more than 7%, 8%, right?

Management: Which was around 7.5% -- last quarter means fourth quarter of FY25, right?

Sneha: No. I was thinking about Quarter-on-quarter, third quarter?

Management: Yes. Third quarter because this is -- it was much higher, close to 10% because Uniclax is a seasonal business. The third quarter is the strongest for the company and is the highest EBITDA. So in that quarter, the EBITDA was close to 12% actually, which is now at about 6.3%.

Sneha: Understood. So that explains some increase in your costing mix.

Management: Yes. And if you compare it with the previous year, fourth quarter of previous year, there also the margins, EBITDA margins in Uniclax were around 7.5%, which has come down to 6.3% on account of, like I said, increase in e-commerce sales. And as this business evolves, we will try to mitigate this impact also.

Sneha: Understood. And Rahul, while a lot has already been discussed on the raw material pricing and margins taking a hit and of course, you're not giving any guidance at this point of time for FY27. Can we just get some indication that we have already been in this for close to 40, 50 days now. What would have been the current margin levels for the company? Like on a gross margin level, how much is the impact you're seeing?

I understand you're partially passing it on and it's an ongoing process where MRPs could be changing gradually or changing the discounting system. But if I have to make something, where are we currently in terms of passing it on?

Rahul Shah:

See you very well know the volatility is still high. There has been high increases followed by substantial decreases also and again, certain prices starting to increase again. And it's in a way, always like a catch-up approach that we have to do because once the raw material prices increase and then you take actions in terms of pricing. So from that perspective, it becomes a little difficult to forecast something on sitting today. But like I said, we've seen about 15% to 20% inflation and 4% to 5% has already been passed and this 15% to 20% was peak inflation.

After that, we've also seen some amount of decrease in prices also. But like I said, current focus is maintain the growth. And more importantly, in this time, we believe maintaining the market share and trying to increase it is a prudent strategy from long-term sustainable growth and margins will definitely follow.

Sneha:

Got that. Lastly, Rahul, anything on the top line guidance? Are you maintaining the similar guidance of 20% growth for the next 1, 2 years on the top line?

Rahul Shah:

Yes. At consolidated level with the planned capacity expansion and the current demand trends, we expect revenue to grow by 17% to 20% in FY27. It's the same guidance that we had in the previous call.

Moderator:

The next question comes from the line of Mosam Shah with Wealth Guardian.

Mosam Shah:

Congratulations on a good set of numbers. My question is related to capex that you just estimated around INR250 crores, INR275 crores. Can you just help for what product category we are planning our capex and their timelines and when it will be operational?

Management:

So this capex is generally going towards increasing our capacities for one, moulding and a lot of other writing instrument products that we planned, plus a large part of it will also go towards the construction of facilities for a lot of land that we acquired in the current financial year. But a lot of our molding capacities are interchangeable. So exactly giving the name of the products would be a little difficult. We've lined up significant capex also for wooden pencils, a segment where we've not done capex in a very long time now. So in this year as well as next year, we'll do some capex there also. So it's going to be across a host of products.

Mosam Shah:

Okay. And the current ongoing capex that we'll be commercializing from quarter 2 onwards, that was particularly for writing instruments, right?

Management:

Yes, it was for writing instruments. But it's a large facility, and we had that time thought of developing a part of it. Now we are -- as this capacity comes into commercial production, we'll start the development for other parts of it also.

Mosam Shah:

Okay. And do you want to comment on any particular timeline or something?

- Management:** So this is like going to be an ongoing project. We believe that it will take another 3-odd years for the company to complete the construction potential at the 45-acre plant. And based on the current demand trends, what we believe the company can achieve, we think that every year, we'll end up doing a similar level of capex for the next few years to completely utilize the 45 acres plus some new land that we purchased around it and close to our current flagship plant. So it's going to be an ongoing project with next 3 years, the company will be in that high capex cycle. And I'm sure as things evolve, we will start planning our next phase of development also.
- Mosam Shah:** Okay. Okay. And my second question is regarding Uniclun integration. So once this -- year was some full year of integration, right? So what would be the projected margins that you guide for Uniclun post 1 or 2 years?
- Management:** So again, like DOMS, Uniclun is also a product -- the diapers are also product where the contribution of crude derivatives is very high. So in this segment also, we'll see some softness in the margins in the near term. But going forward, bases our current operating plan for Uniclun, we believe in this segment also from a revenue basis, we'll be able to maintain a growth of close to 20% and then again start planning for additional capital expenditure to increase the growth further. And in terms of margins from a long-term perspective, we believe in this segment, we'll be happy to achieve a 10% sort of an EBITDA and stay at that level, maximizing revenue growth.
- Moderator:** Thank you. The next question comes from the line of Jayant Parasramka with 3P Investment Management. Please go ahead.
- Jayant Parasramka:** Yes. Thank you for taking my questions. Just a couple of questions on capex. So we've increased our capex guidance to about INR250 crores to INR275 crores versus, let's say, a previous call of somewhere between INR225 crores to INR250 crores. Just to understand, is it because of rising cost of materials over there? Or are we bringing forward some of our capex? That's my first question.
- Management:** Hi. So, it accounts for a little bit of increase in cost also. And at the same time also, like I said, there are some multiple new land parcels also with the company acquired, which is strategically located, one near our flagship unit in Umargam, current flagship unit in Umargam and also in our flagship unit in Jammu. So we have a large plant in Jammu, next to that plant, we were able to find a large parcel, which we've acquired. So we'll be doing certain capacity enhancements there as well as in addition to the development that is happening at the 45-acre plant, we've acquired certain land parcels close to our existing plants, which were available strategically. So we'll simultaneously develop them also. So because of that, we've increased our capital outflow for -- the projected capital outflow for the coming financial year. And there is some amount of increase in prices also. So it accounts for both of them.
- Jayant Parasramka:** Sure. Thank you. And the second question is from the pens business, I believe most of your RM pressure on the pens business is due to the rise in polymer prices. So from a strategic point of view, are we also now focusing on increasing mix to the INR10 price point versus, let's say, earlier our -- I believe our majority of our sales was happening in the INR5 price point. Are we trying to also shift the mix to the INR10 price point? Thanks.

Management:

So, again, historically, you've always seen DOMS across all our products, SKU, our margin profile has always been similar. So irrespective, I was selling a INR5 or INR5 pencil vis-a-vis a INR10 pen or INR10 pencil, the margins were pretty much similar, the EBITDA margins around that 17%-odd sort of a level.

So it really doesn't make a lot of difference at what price point we are selling the product. But we believe there is enough scope, still this is like a temporary cycle. We don't see these prices to be at the elevated levels, this elevated levels for a very long time. There would be some amount of correction that would happen, plus the calibrated increases that we've done in selling prices that we'll come back to our original levels of EBITDA margin. It will take some time, but we'll come back to that level. And like I said, what we did in the past also when we launched our INR5 pens, after that, we started packing them in packs of 5 and that packet of 5 was priced at, let's say, INR30. So as such, the price per pen was INR6. But in the market, it operated as if you're selling a INR5 product. That's how our selling price was. That's how the channel margins and schemes and discounts were given. So now it becomes a little easier to go back to the INR6 price point because consumers are always aware this is a INR6 product.

Jayant Parasramka:

Sure. Thank you. Thank you, sir and all the best.

Moderator:

The next question comes from the line of Kunal Vora with BNP Paribas. Please go ahead.

Kunal Vora:

Yes. Thanks for the opportunity. Rahul bhai, first question, what is the extent of Chinese imports in stationery industry? And how does the 20% depreciation of rupee against RMB impact the competition in various areas in which you face Chinese competition? Is there a market share gain opportunity? And like on the similar lines, does this also have some impact on your capex as you are looking to import machinery for your new factories? That's the first one.

Rahul Shah:

So yes, there is some amount of imports that come from China, Vietnam, a few other countries also in India. To what extent, what percentage, that's a little difficult to judge. I honestly don't have an answer in terms of percentage. But there are a decent amount of imports that happened. The currency fluctuation probably has made imports slightly expensive.

This gives a good opportunity for a branded company like DOMS to -- with their aggressive pricing decision, you can probably reduce or discourage such imports, which can eventually result in market share gains. So we are -- in a way, that should benefit the company.

With respect to, in terms of imports becoming expensive for us both on the raw material as well on capital goods, we have a natural hedge. There is exports also that the company does. Most of our imports are in U.S. dollars, so are our exports. So in a way, they should partially offset each other.

Kunal Vora:

Understood. That's clear. Second one is, would you expect a stronger second half of FY27, considering that by that time, the full benefit of pricing will be there, you'll have higher capacities which you are adding and potentially you'll also have some moderation in commodity costs. While in the first half, you are taking the hit in terms of margins because the commodity costs have increased and you've not taken the full like pricing.

And again, like on similar lines, would you, let's say, look to bridge the gap? Currently, you mentioned about 5% price hike against 15% cost inflation. So would you look to bridge that if the commodity cost remains high?

Management:

Yes. So Kunal bhai, basically, times are still uncertain. I don't know when this is going to end when it started, everybody was talking 15 days. It's been more than 45 days, still there is no uncertainty. The near-term environment continues to be very fluid. And given that a significant portion of our input basket is directly linked to crude and volatility that we are seeing, there would be some impact, which will gradually be passed to our consumers through calibrated balance and gradual increase. But when that happens, a little difficult to say and in how much time will it get covered, it's a little difficult to project at this point of time.

Kunal Vora:

But in second half, you will have a much larger capacity and your factory will start. So, would you expect that to recover?

Management:

Yes. So, capacity will come, new capacities will come. And like I said, that will be a very good moment for the company to again focus on gaining more market share. Historically, we've seen that when there have been uncertain times, it has more impacted the unorganized players and importers rather than branded large companies. So, this gives time for market share gains.

So, we would like to focus more on this opportunity to gain market share, which will eventually help us in long-term growth in our revenues and margins as well. So historically, also after COVID, if you see the company's margin profile pre-COVID and post-COVID, you will see that there has been certain change, similarly pre-Ukraine, post-Ukraine. So, these times, if you follow a balanced approach, which is something more long term -- with a long-term strategy, I think it will greatly benefit the company.

Kunal Vora:

Understood. That's clear. And just one last question, if I can. One is on Uniclanc, like what's the numbers which you've done for FY26 full year revenue and margin? And what's the outlook for FY27?

Management:

So, FY26 on a full year basis, we've done a revenue of around INR203 crores at Uniclanc. This represents close to -- for Uniclanc, this represents close to a 23% growth over their base year revenue. In terms of margins, the margins have been around 8.6%. Kunal, we've been talking about Uniclanc since the time we acquired this company. And like we said that our idea, when we acquired this company was a 4% - 5% EBITDA margin and was to gradually increase it to 10%. We've reached about 8.6%. And we believe with the new -- with the increasing revenues and certain new product SKUs that we'll be launching at Uniclanc very soon, improvement in the product that we've been doing, with this we'll be able to maintain a 20% sort of a growth rate at Uniclanc also. And eventually, these margins on a long-term basis will stabilize around 10%, which has been our target.

Moderator:

The next question comes from the line of Nikil Sudhirkumar with Lister Ventures.

Nikil Sudhirkumar:

So, my question is mainly regarding the capacity expansion that is right now happening...

Moderator: Sorry to interrupt you. You're not quite clear. Could you please use your phone on the handset mode in case if you are using it in a hands-free mode?

Nikil Sudhirkumar: Yes. So, with respect to the capacity expansion, so I just want to know what is the capacity expansion percentage? That is, are we adding another 50% or 100% capacity expansion to the existing facilities? Or is it like SKU-wise? So just want to know an idea on that? And my second question is regarding the distribution channel growth plan. So, what is the company looking at for the current financial year?

Management: Nikil bhai, honestly, we never looked at capacity from a perspective at the product level because we would want to be agile towards the requirements of the market, not commit anything in terms of specific products. But yes, I can give you a certain flavor where the capacity is dedicated for certain products, like for pencils, for the wooden pencils, the capacity right now is around 5.8 million pieces a day, which eventually once the new plant is entirely ready, to increase to about 8 million.

Other than that, there are a lot of moulding capacity that we are adding and moulding is in a way interchangeable, which can be used for a host of products like pens, highlighters, markers, sketch pens, sharpeners, scale, etc. So, depending on the market requirement, we would want to be flexible. How do we add those -- which products we add capacities.

But having said that, today, our operations are spread across close to 2 million square feet of built-up area. And what we are constructing in 45 acres, eventually once all the phases of construction are over, would be again close to 2 million. So, in a way, it would be doubling our reach in terms of manufacturing infrastructure in the next few years.

To answer your second question with respect to the distribution network, so you could -- historically, if you would have seen DOMS has never been in terms of -- specifically targeting a number to grow in terms of its distribution reach. We've always been focused on maximizing the throughput where we believe that when we get into a relationship or a partnership with a particular retail store, it is more important to ensure that we have maximum shelf space in their store. Till their demand is not fulfilled, we would really not want to go in an adjacent store and try to keep 2 people waiting for products. So, from that perspective, we are actually not from a number perspective.

This entire universe of stationery outlet is close to about 300,000 to 350,000 stores in India. Out of this, we believe the directly serviceable stores are around 225,000 stores. Beyond these numbers, they are either located in remote geographies or it really doesn't make economical sense to cater them on an individual basis, and these stores are very well catered to the wholesale segment, which is a good segment for DOMS also.

So, our universe to target would be about direct target, direct reach about 225,000 stationery stores. And by that time, I think our distribution through Uniclax in the general merchant outlet would have also reached a substantial point, which is basically into Kirana stores.

And that's when we will also start cross-selling a lot of stationery products in that distribution network also. So, both ways, we believe there is still significant headroom to grow our network, both in the stationery store segment as well as in the general merchant outlet segment.

Moderator: The next question comes from the line of Priyank Chheda with Vallum Capital.

Priyank Chheda: Rahul bhai, just clarification. You gave a guidance of 17%, 18%. This doesn't include the plant, the new plant that will get operationalized from H2, right?

Rahul Shah: No, no. So Priyank bhai, this is an annual guidance of close to 17% to 20%, which includes the new capacities coming in from H1 for the new plant. It will be a gradual - end of H1 from the new plant. It will be a gradual ramp-up in capacities that will come in the 45 acres. So that has been considered while guiding for around 17% to 20% growth for FY27.

Priyank Chheda: Just reconciling the capex numbers, it's INR450 crores or higher for the Phase 1 of this plant?

Management: No, no. So, we've done a capex of close to INR292 crores in this financial year, FY26. And for FY27, the capex planned is around INR250 crores to INR275 crores. INR250 crores to INR275 crores.

Priyank Chheda: Sorry. I'm asking for the whole of this new expansion. Earlier, we had guided for total capex of INR450 crores and 2x asset turnover. Now is that any change in the numbers with respect to additional land and anything coming in?

Management: So Priyank bhai, this entire project of 45 acres starting from the land that we purchased to full development of the construction and full development of plant and machinery, the total capex would be close to INR850 crores to INR1,000 crores. We've done a substantial part of it from the proceeds that we raised from IPO. There will be certain other investment that we'll continue to do from our internal accruals. So eventually, the total investment in this plant over the next - - considering we bought this land in June -- sorry, January 2023 to another 3-odd years of complete development, would be close to INR850 crores to INR1,000 crores.

Priyank Chheda: Phase 1 is what you said was INR550 crores, right? INR290 crores plus INR250 crores.

Management: No, no. So we started investing in this plant. INR290 crores is the total capex that we've done at the company level. This includes a lot of capital expenditure that happened in our current infrastructure, capital expenditure that happened at our subsidiary levels and capital expenditure that happened in the 45-acre project plus the new land that we purchased also in both Umbergaon and Jammu. So at a company level, we did INR292 crores.

It's not that separately. This 45 acres is like a separate project. Why we are discussing? Because it was a part of our IPO document where the object was to raise funds for the development of this land.

Priyank Chheda: Got it. And one last question on exports to FILA, which has fairly remained flat over the last 2, 3 years, while the third-party exports have grown this year. How should we look at this element

of exports to FILA as well as third party with new capacity coming in over whatever timeline you still want to guide?

Management:

So yes, exports to FILA were a little lower than expected in the last year. And the key reason for that was at least the initial period was on account of the higher tariffs that were imposed by the US government. A large portion of intercompany export happens to US. Plus there was some amount of decline in demand in European countries also and these economies also struggled a bit.

So overall, the intercompany exports were a little lower. But having said that, the outlook with now tariffs being done away with, our entity, FILA Group entity in US also recalibrating their pricing structures, we believe this business to pick momentum again. So these exports would increase. Also with the new capacity addition that we are lining up, especially for the wooden pencil segment, where a lot of goods are sold to FILA and FILA Group companies, the capacity addition in wooden pencil will also help in the FILA Group inter-company exports.

Moderator:

Thank you. The next question comes from the line of Badal Rawat with Trust Plutus. Please go ahead.

Badal Rawat:

So actually, most of my questions got answered. So yes, that was related to capacity utilization. Thank you so much.

Moderator:

The next question comes from the line of Aradhana Jain with 360 ONE Capital. Please go ahead.

Aradhana Jain:

Thank you for the opportunity again. Just a couple of more questions. One, the capex that we plan to do of around INR500 plus-odd crores for the next 2 years, would we continue with the stance that all of that will be funded through internal accruals or we plan to take some debt for it because we see that this year, we've already reduced our debt quite a bit compared to last year. So how would the capex be funded going ahead?

Management:

So it would depend upon, one, the utilization of funds that we generate as free cash flows for the company. If there are free cash flows available, we'll definitely want to utilize them for capital expenditure rather than distributing it as higher than our stated policy of 10% of stand-alone profits to be distributed as dividend. So for that. And there's a lot of headway available to take a little bit of additional debt if required. So it will be a prudent decision-making depending upon the capital allocation and how the company sees the use of funds.

Aradhana Jain:

Okay. Because the question, the reason I was asking is because this year, we were not able to generate any free cash flow, so.

Management:

Because of the capex, we did a little higher-than-expected capex. If you, when we started the year, we were looking at around a figure of INR225 crores to INR250 crores, which eventually got increased to about INR290-plus crores. And there were certain good assets in terms of land parcels, which were available in absolute vicinity of the company's operations, which we believe strategically made sense to acquire them. So that's why it was a little higher.

Aradhana Jain:

Understood. Sir, second, on SKIDO and Seven SpA, if you could throw some light as to how has the performance been of SKIDO, specifically this quarter because of the back-to-school season. And second, where are we progressing on the Seven SpA JV? And so how has the performance been?

Management:

So SKIDO's revenue for the quarter was about INR4.5 crores as compared to INR2.8 crores in the same period previous year, which is a 60-plus percent year-on-year growth. This growth was primarily on account of the successful launch of backpacks that we did in SKIDO last year, for the DOMS branded products.

And as we go ahead, we are now, the Seven team and SKIDO team have started discussing multiple projects together. At the same time, we plan to do some amount of additional capital expenditure at SKIDO in terms of buying new land and constructing new factory premises to increase our production capacities there significantly.

For a full year sort of a basis, if you look, the revenues increased from INR9 crores to INR14 crores. But we are still learning this business. The management of SKIDO has exceptional talent in terms of product design and product engineering using the DOMS brand, the DOMS design philosophy and the distribution reach. We believe this business will grow significantly in the coming few years and benefit from the association with Seven SpA also.

In terms of our JV formation with Seven SpA, we are in the process of formation of the joint venture entity, and this should be completed before the end of June 2026.

Moderator:

Thank you. Ladies and gentlemen, that was the last question for today. I would now like to hand the conference over to the management for the closing remarks.

Rahul Shah:

Thank you. Thank you once again for joining us. We appreciate your continued support and confidence in our journey. Should you have any further questions, please reach out to our Investor Relations team. Thank you once again, and have a great day ahead.

Moderator:

Thank you, sir. Ladies and gentlemen, on behalf of ICICI Securities, that concludes this conference call. Thank you for joining us, and you may now disconnect your lines.