excellence in extrusion

REF: BSE/Reg. 30 & 46(2)(ao)/2023-24. May 18, 2023

To,
BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street, Fort, Mumbai – 400 001.
BSE Scrip Code: 522257
BSE Script ID: RAJOO

Sub: Submission of Transcript of the Investor Earning Call held on May 16, 2023 on Financial Results for the quarter and year ended March 31, 2023.

Ref: Regulation 30 and 46 of Securities and Exchange Board of India (Listing Obligations and Disclosures Requirements) Regulations, 2015 (SEBI Listing regulations).

Dear Sir/Madam,

With reference to the captioned subject and pursuant to the provisions of Regulation 30 and 46(2)(ao) of SEBI Listing Regulations, please find enclosed herewith the Transcript of the Company's Investor Earning conference call held on May 16, 2023 on the financial results for quarter and year ended on March 31, 2023 .

The above Transcript of the Company's Investor Earning conference call held on May 16, 2023 shall be hosted on the website of the Company at www.rajoo.com.

Kindly take the same on your record and acknowledge the receipt of the same.

Thanking you.
Yours faithfully,
For Rajoo Engineers Limited
DOSHI
KHUSHBOO
CHANDRAKANT
Digitally signed by DOSHI KHUSHBOO CHANDRAKANT
Date: 2023.05.18 17:38:41 +05'30'
Khushboo C. Doshi
Managing Director
(DIN: 00025581)

Encl: a/a

“Rajoo Engineers Limited

Q4 FY '23 Earnings Conference Call”

May 16, 2023

MANAGEMENT: **MRS. KHUSHBOO DOSHI – MANAGING DIRECTOR – RAJOO ENGINEERS LIMITED**
MR. UTSAV DOSHI – JOINT MANAGING DIRECTOR – RAJOO ENGINEERS LIMITED
MR. SUNIL JAIN – EXECUTIVE DIRECTOR – RAJOO ENGINEERS LIMITED
MR. PRAKASH DAGA – CHIEF FINANCIAL OFFICER – RAJOO ENGINEERS LIMITED

Moderator: Ladies and gentlemen, good day and welcome to Rajoo Engineers Limited Q4-FY23 Earnings Conference Call. 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 star, then zero on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Ms. Khushboo Chandrakant Doshi from Rajoo Engineers. Thank you and over to you, ma'am.

Khushboo Doshi: Good evening, everyone. I would like to welcome you all to Rajoo Engineers Limited Earnings Conference Call for the fourth quarter and full year ended on 31st March, 2023. Thank you all for taking the time out and joining us today. With me today on this call, we have Mr. Utsav Kishore Doshi, who is the Joint Managing Director, Mr. Sunil Jain, Executive Director, Mr. Prakash Daga, CFO, and team from Adfactors PR, our investor relations team. We have shared our results, updated and presentation and media release. I hope you all must have gone through with that.

I would like to share financial performance, recent developments, and outlook for the future. Coming to the full year financial performance, revenue from operation FY23 was INR159.79 crores, at against INR172 crores in FY22, a Y-o-Y decrease of 7%, mainly because of delay in export dispatches. There has been tremendous shortage of USD currency in financial system in some of the African countries. Our customers in these countries are not able to open the LCs or remit the balance pre-dispatch payments, due to which at the end of the year, some machines were ready but waiting for dispatch again their orders. EBITDA stood at INR13.99 crores against FY22, INR20 crores.

Decrease of 33% Y-o-Y, mainly because some significant expenditure on sales, promotions, and exhibitions and R&D. EBITDA margin was at 8.76%, a decrease of 340 bps Y-o-Y due to significant strategic expenditure made by the company under opportunity building exercise, resulting in a little pressure on the margin for FY23. Profit after tax was INR10.02 crores in FY23, as compared to INR14.18 crores in FY22, Y-o-Y decrease of 32%. PAT margin was 6.16, a decrease of 233 bps Y-o-Y. Basic EPS stood at INR1.63 in FY23 as compared to INR2.40 in FY22, Y-o-Y decrease of 32%.

If we talk about the recent development during the year, we are happy to share that as a part of our strategy to increase the focus in agriculture sector, we have begged the business worth of INR30 crores from one of the leading manufacturer of agriculture products from export markets. This prestigious order for our cutting-edge non-film line machine for manufacturing of silo beds as per need and requirement of the customer. We believe that our machine will empower silo bed manufacturers to optimize their operation and deliver superior storage solutions to every sector and around the world.

Earlier being sold from the European supplier, these beds will now be manufactured right there. We are continuously expanding our product portfolio. As the world increasingly shifts towards renewable energy, we see a tremendous growth opportunity in solar panel manufacturing. That is where Rajoo entered and captured the opportunity through our new product called Lamina-E. This is the India's first mono and multi-layer EVA or POE sheet extrusion system for producing an encapsulant sheet for solar cells.

It is an import substitution product and a move that would empower solar panel manufacturer and also make a difference to India's energy program and our country's journey towards energy independence by 2047. At Rajoo, with our business strategy, we are expanding our global footprint, focusing on market penetration, and making continued investment in R&D to promote the advancement of energy efficiency in our product line and digitalization of our aftermarket services. We continue to endeavor for our customer-centricity approach and stakeholders' delight.

As we move forward, our focus is to take significant market share in agriculture and renewable sector, giving equal importance to plastic recycling. We will continue to invest in sustainable technology and practices to ensure that we play our part in protecting our planet for future generations. Going ahead, we expect to maintain our growth trajectory combined with strong product offering and brand position in market.

Based on the domestic and export outlook, we are confident that we are looking forward to high-value orders in line with our expectations from high-growth markets. Our target is to grow at 15% to 17% year-on-year in terms of revenue. We are also focusing on improving EBITDA margin by increasing the contribution of high-value products and improving our operating efficiency. So, with this brief, I thank you very much and invite you to ask any questions that you may have. Thank you.

Moderator: Thank you very much. The first question is from Harsh Sharma, an individual investor. Please go ahead.

Harsh Sharma: Hello. Hi, good evening. So, my first question is, what is our current order book and what is our tenure for the same?

Khushboo Doshi: The current order book is INR185 crores. And the lead time of the products ranges from 3 months to 8 months.

Harsh Sharma: Okay, fine. Thank you so much. And what is our domestic and global share as per Q4 and FY23?

Khushboo Doshi: FY23, the domestic has contributed to 65% of the total revenue while export has contributed 35%.

Harsh Sharma: Fair enough. And how does the company plan to stay ahead of the competition?

Khushboo Doshi: Of course. Yes, staying ahead of the competition, we have a plan for development of our, you know, enhancement in our existing product and that's where we are focusing on a high value orders with the latest technology that can give us an edge over the competitors, not only from India, but from Europe as well.

Harsh Sharma: Yes. And so, basically, last question, are there like any specific growth strategies that are planned ahead?

Khushboo Doshi: Yes, we are more focusing on export market because, and with that reason, we have invested heavily on the R&D, other sales and marketing promotions, and also on the sales team, building up the entire sales team for looking after the world market.

Harsh Sharma: Thank you so much.

Khushboo Doshi: Thank you.

Moderator: Thank you. The next question is from the line of Mahindra Gala from H&M Associates. Please go ahead.

Mahindra Gala: Yes. First of all, I congratulate to the team that they are able to maintain leaving that sales promotion and the exhibition expenses or R&D. I think the comparables from the 2022 FY and FY23 are nonetheless lesser than the previous year. Because of these all expenditures of the expansion, I would like to ask that what is the expansion plan right now, when we are spending sizable amount of INR5 crores on sales promotion and R&D? What is the expansion plan that company is looking forward?

Khushboo Doshi: Sir, if it touches the INR200 crores, the capacity will be over. So, this is the right time for the expansion and we would be doing expansion in this year, not only on a tooling, but also in terms of building up a new capacity in terms of space as well. So, we do have a plan for the expansion this year and company may invest around INR20 crores to INR25 crores for increasing the capacity.

Mahindra Gala: Okay. Another question I would like to ask is, there is a sizable trade receivables this year and quarter 4 ending. There is also a high bank balance of around INR15 crores and there is also a loan given of INR28 crores. Compared to the previous year, the loans are almost doubled. I didn't find any increase in the other income compared to the last year because there is an income of 2.73 last year FY22 of the other income and current year also there is another income of 2.79. When the loans are increased to double, can you ask that where this, when this loans are being increasing gradually?

Khushboo Doshi: Sure, sir. Prakash, would you like to take this?

Prakash Daga: Yes, Mr. Gala. The loans are representing mostly the fixed deposits held with the banks. It is not actually the loans given to any third party. So, and the amount, which is showing an increase, it is just because of the heavy amount of advances received against the new orders during the last quarter of the year.

Mahindra Gala: So, are they advances or are they in the form of loans?

Prakash Daga: No, no, they are deposits held with the banks. Actually, there is a slight schedule presentation error.

Mahindra Gala: Because when I see the figures, it shows that there is a double, exactly the figures are double in the loans. But I fail to understand in the other income there is no corresponding increase in the other income.

Prakash Daga: No, no, those are deposits, those are representing fixed deposits with the bank and the amount has substantially increased just because of the heavy advances received during the last quarter against new orders.

Mahindra Gala: I understand, sir. Then the fixed deposits have increased. So, the other income should also have corresponding impact, which I didn't found on the profit and loss account for the current.

Prakash Daga: Substantially, the fixed deposits, what I am saying is that the substantially it has increased during the last quarter only. So, it was a very small amount of interest earned on the only for a month during the last quarter.

Mahindra Gala: Okay. And one more doubt which I had is in the cash flow statement, there is shown that there is a bank overdraft of INR1.52 crores. And there is a positive balance, bank balance of INR15 crores. So, is this figure sounds correct as I have understood or there is any misunderstanding by me? Because I just want to understand that there is an overdraft as well as there is a bank balance of INR15 crores as well.

Prakash Daga: No, there was no overdraft. It represents, I would just tell you the figure.

Mahindra Gala: When I look at the bottom line of the cash flow statement, last line, I see that there is a figure of 147, 1420, sorry, 1425.82. And when I look at the bank balance in my statement of asset and liabilities, it shows that 1578.03, the positive balance of the bank. Now, when I reconcile now, because cash flow normally has the previous figures of 1080.97 and it has to reconcile with the 1578.03. But there is an particular suggest me that it is because of the bank overdraft or what it is exactly.

Prakash Daga: Okay. No, there is no bank overdraft. So, really because the company is already flooded with the cash flow.

Mahindra Gala: Right. So, I just wanted to know what, where these figures have gone like.

Prakash Daga: I will just have to check the figure, because I will just repeat the schedule.

Moderator: Thank you. Do you have any follow-up question, Mr. Gala?

Mahindra Gala: No, thanks a lot, sir. Thank you for giving the opportunity and all the best for the coming year of the expansion.

Prakash Daga: Thank you.

Moderator: Thank you. Next question is from the line of Dewang, individual investor. Please go ahead.

Dewang: Hello. Thank you for the opportunity. I have a question that what would be the sustainable PAT margin for the next few years? What would be the sustainable PAT margin for the next few years?

Khushboo Doshi: Sustainable margins would be around 8% to 10%.

Dewang: And for how many years this 15% to 18% growth guidance that you have given is sustainable?

Khushboo Doshi: Sorry, I didn't get that question properly. If you can repeat it, please.

Dewang: Yes. Yes. For how many years the 15% to 18% guidance for revenue growth you have given is sustainable?

Khushboo Doshi: We are seeing, I mean, we are expecting more growth, but for this year, we are seeing it conservatively. So for another next three years, we see a clear pipeline and feel that it can be achievable.

Dewang: Okay. And what would be the capex for the year? As you said that INR200 crores is the limit for the existing capacity.

Khushboo Doshi: Yes. For the next year, we would be investing around INR20 crores to INR25 crores on enhancement of the existing space and of course on the tooling.

Dewang: Thank you.

Moderator: Thank you. Next question is from the line of Anik Mitra from Finartha. Please go ahead.

Anik Mitra: Yes. Thanks for taking my question. I just wanted to understand, like, we have exposure in agriculture, in plastic extrusion as well as in the solar industry. I want to understand, like, if you can roughly give some break up.

Moderator: Anik, sorry to interrupt you, but we are losing your audio in between.

Anik Mitra: My question is, like, your company is exposed to mainly three sectors, agriculture, solar and plastic extrusion. Now, my question is, if you can provide me some color on the break up in terms of its volume or revenue that will be helpful.

Khushboo Doshi: Mr. Jain, would you like to take this, please?

Sunil Jain: Yes. Good evening. Firstly, let me clarify that there are three segments which are agriculture and infrastructure, solar, and flexible packaging, packaging per se. All these sectors are, extrusion is a process which is involved in all the three sectors. And coming to your next question, that flexible packaging will continue to contribute to about 50% to 65%, followed by infrastructure would be about 30%, 35%, and this will be solar. And this ratio over a period of time will change, because we are trying to de-risk ourselves and develop more in the agriculture or the infrastructure sector and the solar sector. Does that answer your question?

Anik Mitra: Sir, you referred infrastructure 30% to 35%. So, do you consider agri and plastic extrusion both in infra?

Sunil Jain: No, no. Let me first clarify. Extrusion is a process. Rest all are applications. And all these applications use extrusion. So, extrusion is not a category.

Anik Mitra: Okay. Understood.

Sunil Jain: Extrusion is a process and all these three applications, whether it is packaging or whether it is agriculture and infrastructure or solar.

Anik Mitra: Okay. Sir, in terms of margin, what sort of margin is involved in, means is margin is almost similar in all the sectors or do you attract different margins?

Sunil Jain: See, obviously, in the emerging technologies, the margins will be better. And that is the reason why there is a shift towards new applications. And as Mr. Doshi also mentioned to you, when we get into exports, the margins are better. So, there's a very heavy focus on exports. The margins would be different for each sector.

Anik Mitra: Ma'am, you were referring INR200 crores of capex. Can you give me some rough, approximate allocation of the capex for FY '24, you referred, I think, INR200 crores, if I'm not wrong?

Sunil Jain: I'm not sure if the question is clear. Please go ahead.

Anik Mitra: If I'm not wrong, ma'am mentioned INR200 crores of capex for FY '24, if I'm not wrong. So, I just wanted to understand the allocation of the capex?

Sunil Jain: See, INR200 crores was the expected top line. And if you want to go beyond INR200 crores, what she mentioned was there will be a capex of INR20 crores to INR25 crores, which will largely come from building space and tools.

Anik Mitra: Okay. So, INR200 crores in FY '24?

Sunil Jain: No. What she said was that in the current capacity, we can do INR200 crores. Current turnover, the expected growth is 15% to 17%. So, there are two separate things.

Anik Mitra: Okay. Understood. Sure. Thank you.

Moderator: Thank you. The next question is from the line of Meet from Niveshaay. Please go ahead.

Meet Katrodiya: Hello, Ma'am. In the press release, you mentioned that due to some practical difficulties, customers and some orders got dispatched during Q4, which resulted in increased raw material costs impacting the margins, right? So, how this kind of late delivery is impacting our margins?

Khushboo Doshi: That's a good question. It does impact the margins. And it's moreover, these machines are very big in the sizes. So, whenever the delivery gets held, it occupies a lot of space, which is resulting into the delay of other projects, which probably customers are ready to let. So, the way Mr. Jain mentioned that because of the high value products, which is when we say high value, those are high in technology and the sizes too. So, that's how, they affect the margin. And of course, because of that, the other things get delayed further.

So, I would say that around 2% to 3% of margin, it depends what kind of a project gets held. In this particular year, those are the very big projects which we have dispatched after Q4 gets over. So, yes. Does this answer your question?

Meet Katrodiya: Okay. And in Q4 also, we have mentioned that there will be some delay in delivery. So, our margin will be also impacted in Q1?

Khushboo Doshi: Right. So, it's overall margin, if we have to talk about, it affects, in a net margin, it gets affected 2% to 3%.

Meet Katrodiya: Okay. So, when we can see this recovery in the margins?

Khushboo Doshi: For this year, we are sure of that there will be an improvement in the margins.

Meet Katrodiya: Any guidance for the margins?

Khushboo Doshi: It would be around 8% to 10% in terms of net margins.

Meet Katrodiya: Okay. So, my next question is, when new capex will come on the line and how much revenue we can expect from the new capex at the 100% capacity utilization?

Khushboo Doshi: See, in this case, 100% capacity utilization is never possible. And one cannot even intend to have that situation, because then it is too risky for the company. So, we intend to utilize that capacity to 80% to 85%. And for the new capex, which we are planning in this year, so we will be able to have the results in FY '24 onwards.

Meet Katrodiya: So, how much of revenue we can achieve at 80% to 85% on new capex?

Khushboo Doshi: No, on a new capex, we would be able to see, for example, this year, we are targeting to grow by 15% to 17%. So, if we have to continue to register our Y-o-Y growth at the same level, then we need more capacity. So, with the new capacity, we will be able to achieve the 15% to 18% growth for FY '24 and FY '25.

Meet Katrodiya: Okay. Thank you.

Khushboo Doshi: Thank you.

Moderator: Thank you. Next question is from the line of Daniel. Individual investor, please go ahead.

Daniel: So, in terms of overcoming challenges, what are your strategic plans and any regarding if there are any other burning issues in the business?

Khushboo Doshi: So, the current challenges, if we talk about the manpower and the skillset, which is a real problem, and of course, the dependability on the same. From our side and from the customer's side, there is a lot of dependability on the manpower. So, as we mentioned that we are heavily spending on the R&D effort, basically mainly into digitalizing everything and make a kind of a product where the customer also does not need to depend on the manpower and skills of the current available manpower.

So, that is one of the challenges. Another important challenge where, in capital goods, you spend two, three years in marketing, in developing the market, and then you start getting results and some geopolitical issues get in a different direction and all the efforts get in a different direction. So, this is the biggest challenge like we have in Pakistan. Very good market, but we cannot dispatch.

And, of course, the European countries and countries like Turkey, where we were heavily invested in the previous year and started having the fruits, but then again a geopolitical situation between Russia and Ukraine, which resulted into many challenges like supply chain, developing market, and then cannot dispatch. And, of course, resulting into other issues, which is out of control. When the company as an institute is ready to deliver the product, but because of many other issues which are out of control, one cannot do that. So, these are the challenges which are not in our hands.

Other challenges, we feel that the price competitiveness in the domestic market, which is, again, India being a very, very price sensitive market, it is very challenging to have the appreciation of the technology. But we also see that Indian players are growing and can now afford the European technology. So, if they afford the European technology, we are able to compete with them, and then we are able to give a right value proposition to the market that with the same kind of level of technology, we would be 25% to 30% more affordable as compared to any technology coming from Europe. So, these are the challenges as far as the total growth and margins are concerned.

Daniel: Thank you so much for that. And if I talk about packaging industry, it has increased over a period, the demand. So, how do you expect or how do you measure this demand to be in the near future in collaborating with our business?

Khushboo Doshi: Yes, packaging is currently, see, our product line, product portfolio mainly contributing on the packaging industry, which includes flexible packaging and semi-rigid packaging. So, both are contributing well, and after COVID, all the doors are open for this industry because of the high level of hygiene required in food packaging. So, the industry is growing, and we feel that for another next three years, we see a good growth as far as domestic industry is concerned and also for export market.

Daniel: Okay. Thank you for those insights. And also, one more thing. In our export markets, which specific regions account for most orders, from where the major orders are coming in, or which countries to be specific?

Khushboo Doshi: Major countries, yes. If we talk about the continents, it's African countries and Asia-Pacific countries are contributing more. And these are the mature markets for us, and Rajoo has been established in the market very well, well perceived as a player. So, these are our main contributing, and that's why we are now again diversifying into other markets where there is a lot of opportunities as far as the extrusion machineries are concerned. So, we are now targeting Europe and CIS as well.

Daniel: Okay. Thank you for that. Just one last question. If I talk about interest costs on a Y-o-Y basis, it has increased from INR0.05 crores in Q4 of 2022 to INR0.14 crores in the latest results. So, I mean, there is an increase of around 200% in the interest cost. So, have we like taken any loan or…

Khushboo Doshi: No, as Mr. Daga has explained, we are totally debt-free and we have not taken any loan, or there is no debt. But these are the things which, know, when you get into the high-value projects, there is a performance-based bank guarantee, and the payment terms are a little different than direct payment terms. So, that has resulted into an increase in the finance cost.

Daniel: Well, okay. And just one last question. Do you have any targets in mind with respect to revenue or margins for the next two, three years in the ballpark figure?

Khushboo Doshi: Yes, we are expecting to have the growth from this figure to 15% to 18% in the top line, and we are expecting our margins to remain at 8% to 10%.

Daniel: Okay. Thank you so much for all the insights and wish you the very best. Thank you.

Khushboo Doshi: Thank you, sir. Thank you.

Moderator: Thank you. Next question is from the line of Keshav Garg from CCIPL. Please go ahead.

Keshav Garg: Yes, ma'am. I am just trying to understand that what is the USP of our company and how do we differentiate our products from the competition? And also, what is our pricing? I mean, is it at par with competition, at premium to competition, or are we price warriors and basically selling at a discount to competition?

Khushboo Doshi: Okay. So, if you talk about the domestic competition, there is the price war, but then also we are a little premium than the existing player. And our most important differential factor is the energy efficiency, which is a recurring cost at the customer side. So, this is where our focus is on. And if you talk about the world market, then we are 20% to 25% less expensive as compared to the European and American player.

Keshav Garg: Okay, ma'am. That's very heartening to know. And ma'am, at our current installed capacity, how much is the peak production that we can generate provided demand is there?

Khushboo Doshi: If the demand is there and the listing is right, then as you have witnessed that in Q4, we have registered at INR71 crores, which is utilizing all the resources in one quarter. So, the current capacity, if you talk about the total revenue, one can easily reach out to INR200 crores. And that is why the plan of the expansion has been taken up.

Keshav Garg: Right. And ma'am, you mentioned that we should be expecting around 8% margin for this financial year. I'm talking about basically operating margin, EBITDA margin. But ma'am, in FY '18, we reached 15% operating margin.

Khushboo Doshi: No, I talked about the net margin, I think.

Keshav Garg: Okay. Yes, ma'am. Thank you very much. And best of luck.

Khushboo Doshi: Thank you, sir. Thank you. Next question is from the line of Raaj from Arjav Partners. Please go ahead.

Raaj: Yes. So, ma'am, you said you had clear pricing advantage when you do your exports, okay? So, your prices are 20 to 25% lower compared to your peers in international space?

Khushboo Doshi: Yes, in the international space?

Raaj: So, when you do the peak sales of say, INR200 crores, so how much of exports can you push out of those sales? Because since a year, you have a clear pricing advantage. So, I wanted to know what exactly is stopping you from pushing the export sales?

Khushboo Doshi: Yes. So, if we talk about this financial year, we end up having the export for 35% of total revenue and our target is to reach above 50%.

Raaj: Okay, in FY '24?

Khushboo Doshi: Correct.

Raaj: Above 50%?

Khushboo Doshi: 50%, yes.

Raaj: Okay. And also, I see in your PPT that you have launched a new sheet for...

Khushboo Doshi: Yes, sheet extrusion line for solar.

Raaj: So, how big can this opportunity really get?

Khushboo Doshi: See, currently, the market is flooded with some Chinese machines. So, this is a very good opportunity as far as no Indian machinery is contributing into this space. We are the only one and the kind of solar target which RPM has taken and not many PLICOM subsidies are available for this solar industry. So, we see that there would be another requirement of 30 machines to 40 machines in next two to three years.

Raaj: Okay. All right. Thank you.

Khushboo Doshi: Thank you, sir.

Moderator: Thank you. The next question is from the line of Neha Jain from Ortega Wealth. Please go ahead.

Neha Jain: Good evening. Just had couple of questions. So, our new product that we have launched this year, Lamina-E, just wanted to understand what is the potential and opportunity for the product and where do we plan to export the product?

Khushboo Doshi: Thank you. Mr. Jain, would you like to take this, please?

Sunil Jain: See, this is a new product catering to the renewable energy sector. As of now, we are looking more at the domestic market because that's where there's a huge capacity being invested in developing solar energy modules, solar modules. So, export market, we are yet to explore, but we do think that there is an export market. But currently, this is the first machine which we've made and we want to first stabilize on the domestic market before getting into the export market. So, we see no reason why we cannot get this to contribute at least 10% to 15% of our turnover.

Neha Jain: Okay. So, with this new launch in the domestic market, how has the market reacted to the product? What is the response of the customers?

Sunil Jain: It has been very positive. The customers are quite satisfied. I mean, this is the first launch. The customers are quite satisfied and the response is very encouraging. And we have been able to come up with all the performance parameters matching the product.

Neha Jain: So, with this product, do we see that this product might help us increase our market share?

Sunil Jain: Absolutely. That's the whole idea of getting into this product.

Neha Jain: So, market share in the domestic, right?

Sunil Jain: Firstly, domestic and later on getting into exports.

Neha Jain: All right. Okay. Got it. And what are like the key indicators of impacting the plastic extrusion machinery in the industry? Like what are the key market trends?

Sunil Jain: The key market trend, as Khushboo mentioned earlier, is more to do with energy efficiency and then also getting into sustainability. Meaning coming up with extrusion solutions which are more sustainable and recycled.

Neha Jain: So, there is a possibility if Lamina E does well in the market, we might come up with new products, develop new products.

Sunil Jain: Absolutely.

Neha Jain: Okay. Got it. So, as of now, we don't have anything in pipeline, right, sir? We're just trying to focus to improve the market share of this product and then get into newer products?

Sunil Jain: We continuously keep on innovating. So, it's a process. As and when we have some products, we will definitely revert.

Neha Jain: Okay. Just one last question, balance sheet question. So, the short-term borrowings have increased during the year. So, is this mainly due to working capital requirements or is there any other reason for it?

Management: Can I take this question?

Khushboo Doshi: Yes, sir.

Prakash Daga: Yes. See that short-term borrowing represents one bill which was discounted against LC, export invoices. Otherwise, we have not taken any borrowings. LC for 90 days was discounted. So, that is only post-ship and credit we have with us.

Neha Jain: Okay. Sure, sir. Thank you so much and good luck.

Khushboo Doshi: Thank you.

Moderator: Neha, do you have any follow-up question?

Neha Jain: No, I'm done. Thank you. Thank you so much.

Moderator: Thank you. Next question is from the line of Dewang, individual investor, please go ahead.

Dewang: Sunil ji, again. I want to ask that I have calculated that if you grow sales by, I say, 20% and the ROE would be, again, be equal to 10% only as the capex would increase the total assets. So, what are your plans for to increase the ROE?

Sunil Jain: Hello, shall I take this question, Ma'am.

Khushboo Doshi: Yes, yes please.

Sunil Jain: Yes. See, as Ms. Doshi mentioned, the proposed expansion will be majorly into creation of space, additional space for assembly line and some part of the capex would be enhancing the capacity, engineering capacity. So, the major portion would be in creating infrastructure in terms of building, land, additional space for assembly of the machines. So, that if you calculate, considering that value of asset, then the ROE will definitely be at around 10%, but the major chunk is going into building an asset, not in machinery.

Dewang: But then also, the 10% ROE number is not good for such a decent company -- are there any plans to expand this ROE number to 15, 20%?

Sunil Jain: No, no. I am coming to your question. The additional space, which is being created under this expansion project, it will be for another 10 years because, see, the space which is being created will be accommodating the assembly line for a 15% growth or additional assembly of machines for next 8 to 10 years. So, accordingly, it has to be calculated.

Dewang: And the next question is, where, how you will fund the capex of INR25 crores? Would you take that or any equity issuances?

Sunil Jain: See, the company is having sufficient internal accruals as on date. So, right now, there are no borrowing plans. It will be managed with the internal accruals only.

Moderator: Next follow-up question is from the line of Meet, from Niveshaay. Please go ahead.

Meet: So, my question is, when will capex start contributing to the revenue? So, Q1, Q2, any guidance?

Khushboo Doshi: Sorry, sorry. I didn't get the question.

Meet: So, new capex we are planning of INR22 crores, right? So, from when we can expect it will contribute to the revenue? Q3, Q4, any guidance?

Khushboo Doshi: It will contribute into the FY '24 revenue.

Meet: Okay. And my question is, what will be your operating margin, not net margin? So, any guidance for the operating margin?

Khushboo Doshi: Prakash bhai, would you like to take this, please?

Prakash Daga: The operating margin will somewhere remain between 12% to 15%.

Moderator: Thank you. Next follow-up question is from the line of Keshav Garg from CCIPMS. Please go ahead.

Keshav Garg: Ma'am, I am trying to understand. You mentioned that we can do around INR200 crores revenue at full capacity and in fourth quarter we operated at full capacity. So, we had revenue INR71 crores in fourth quarter. So, ideally, we should be, our peak capacity should be around INR280 crores, like INR7 crores or INR28 crores. So, it's, but you mentioned INR200 crores. So, what am I missing?

Khushboo Doshi: Yes, you're missing that capacity cannot be utilized 100%. That's, I mean, that is a wistful position, but practically it's not happening. So, capacity utilization has to be calculated as 80% to 85%, not more than that.

Keshav Garg: Sure, ma'am. Also, ma'am, we had a joint venture, Rajoo Bausano.

Khushboo Doshi: Bausano.

Keshav Garg: Yes. Right. So, ma'am, I don't think we have come out with consolidated results in which our 49% share of profits of that joint venture are included?

Khushboo Doshi: Yes, since this was a quarterly thing, we didn't, but in the final year full report, you will get the consolidation from that company as well.

Keshav Garg: So, madam, is this like material to our numbers? Like, I mean, our 49% share of the profits, is this significant or not really material?

Khushboo Doshi: The company is around, I mean, the same company is doing a turnover of around INR30 crores. So, that will be the numbers coming to our TNR.

Keshav Garg: Madam, INR30 crores will be top line. And since it's 49% owned, so we'll not consolidate the revenue part, only the 49% of the profits of that joint venture. So, madam, any idea you would like to give the shareholders that what is the bottom line of that joint venture?

Khushboo Doshi: If you talk about the margin there, the current margin would come around 10 to 12%.

Keshav Garg: So, madam, this is profit after tax margin, NPM.

Khushboo Doshi: Right, right.

Keshav Garg: So, madam, approximately 1.5% would be our share of the profits.

Khushboo Doshi: Right.

Keshav Garg: And madam, lastly, just wanted to understand more about that renewable machine for solar films that you talked about. So, madam, basically, what is the function of that film that our machine will be manufacturing? I mean, where exactly does it help? I mean, is it replacing the glass on the solar panel?

Khushboo Doshi: No. Wherever you see the solar panel, you see the aluminium structure and glass. Photovoltaic cells are inside and it is encapsulated by the sheet, which is being produced on the machine, which we have developed. So, each and every solar panel currently is being installed with this kind of a sheet and it will continue to use the same sheet.

Keshav Garg: Right. So, madam, it is not as though it's a new application, it's an existing application, but it's being imported and we are trying to make an import substitute. Is that?

Khushboo Doshi: Yes, it is a new application for Rajoo. Rajoo has always been focused in the packaging sector, considering the plastic, but with the same plastic and the same process, now we are focusing on the renewable sector.

Keshav Garg: Sure, madam. And madam, one last thing, madam, last year, government banned single-use plastic. So, madam, is it, I mean, any impact on our company?

Khushboo Doshi: Yes, there was an impact from the domestic market. And as a part of the strategy, we literally got out of that particular segment when the ban is there. And with the same technology, we have launched this EVA sheet line, which goes into the solar sector.

Moderator: Thank you. Next question is from the line of Rohan Mehta, an Individual Investor. Please go ahead.

Rohan Mehta: Good afternoon, madam. Good afternoon, everybody. I just, from a macro perspective, I wanted to ask, as it has been mentioned in the past also, that as a company, we are sort of exploring other avenues away from plastic packaging also, as one of the measures to de-risk the business and its dependence on plastic. So, any views, your thoughts on that, how that is progressing, and what is the roadmap ahead on that aspect?

Khushboo Doshi: Yes, absolutely. I mean, last time we also spoke about this. So, yes, of course, we have a diversification plan, but as a part of the de-risking strategy, what we have started doing is that we gather whatever the existing infrastructure and skills which as a group we have. So, what we have done is maintaining the same technology, and with that technology, we are diversifying into the different sectors.

So, the technology will remain the same, the plastic will remain the same, and the main material, but we are catering into the infrastructure, we are catering into the agriculture, and now with this solar sheet, we would be in a renewable. So, that is how we have started looking at. Probably, down to two years down the line, there would be some more projects which is completely new other than the plastic.

Rohan Mehta: Okay. That's great. So, would we be also looking at collaborations with some other companies in doing that, or all of that development would be in-house only?

Khushboo Doshi: So, the current development in the renewable and agriculture is totally in-house, and the technology is upgraded in the home, but of course, for other technologies, we remain open for the collaboration or any other sort of association where the technology lies. So, yes, we as a company are open for such opportunities, but currently, we are doing everything in-house.

Rohan Mehta: Okay, okay. And ma'am, since we are making headway on new product development and diversifying into the end applications, and we have a fair amount of exports also. So, in terms of geographical expansion, do we have any sort of a vision as to enter any new geographies or change the amount of revenue that is coming in from export as a complementary growth strategy to the product development?

Khushboo Doshi: Yes. So, as I mentioned earlier, we are targeting Europe and CIS region and also targeting Middle East

Rohan Mehta: Okay, right. So, there is this new order of INR30 odd crores from a European manufacturer?

Khushboo Doshi: Right, right.

Rohan Mehta: So, is that going to be a one-time or can we expect a likelihood of repeat orders or how will that work?

Khushboo Doshi: See, this is a huge, the equipment is used, so the capacity is also used. So, once there, normally in capital goods, we get the repeat order after two to three years depending on the growth story of the customer. So, in this case, we are expecting that to be repeated with the same customer.

Of course, with this installation, we would be able to open up the door for many other similar prospect in the market.

Rohan Mehta: Right. Okay. And the revenue from this would start reflecting by next quarter or later on?

Khushboo Doshi: Next quarter.

Rohan Mehta: So, Q1 of the next financial year?

Khushboo Doshi: Yes, yes, yes.

Rohan Mehta: Okay. Okay, ma'am. And so, all right. So, right now, there is no partnership or collaboration on the immediate horizon, right? Just to confirm?

Khushboo Doshi: No. There are many in the pipeline, but nothing much to disclose about till we get some finalization stage. But yes, so there is nothing much to disclose. Let me put it this way.

Moderator: Thank you. Next follow-up question is from the line of Mahindra Gala from H&M Associates. Please go ahead.

Mahindra Gala: I have a couple of questions. One is about the capex investment. Presently, sufficient to service like a quarter ending March 23 showing INR71 crores of turnover. That shows that around INR200 crores to INR250 crores of turnover we can generate from the existing capacity. Now, can you understand that what is the additional capacity which we are going to build up so that how much it will be running for like 100 crores, 200 crores or what is the targeted amount of the revenue that we are expecting to generate from the new capacity?

Khushboo Doshi: Sir, the capex which we have talked about that would be in a phase-wise manner. So, the first thing we will only enhance our capacity by INR50 crores and FY '25, again, we will enhance the capacity. So, this will happen in a phase-wise manner. But to answer your question, yes, with the current capacity, we can do 200 and with the additional capacity, we would be able to do 250 or 275.

Mahindra Gala: Okay. So, it will be around, say, 30% expansion?

Khushboo Doshi: Right.

Mahindra Gala: And the investment that we are looking at is something around INR20 crores to INR25 crores. Will it be in the phase manner as you said in FY '24, FY '25 and so on?

Khushboo Doshi: Yes, it will be spread over two years.

Mahindra Gala: Okay. And what is the exact, exactly the INR20 crores to INR25 crores will be and percentage to the existing investment that we have made up, sir?

Khushboo Doshi: Sorry, sorry.

Mahindra Gala: The expansion that we are looking at is in 30%. And what is the exact amount of investment that we have at present, like in the 100% that we are looking at, like?

Khushboo Doshi: Prakash bhai.

Prakash Daga: So, Mr. Gala, if I am correctly understanding your question, then you are asking about the phase-wise investment of the…

Mahindra Gala: No, phase-wise, madam has clarified the phase-wise. I am just understanding that 30% is the total investment that we are going to make. And what is the existing capacity is something around INR200 crores to INR250 crores of turnover. What exactly it is amounting is to the existing one, like 30% is the revenue that we are going to generate. But what is the investment that we are going to make is percentage to the existing that we are having?

Prakash Daga: See, there will be initial investment will be in creating an additional space in phase one.

Khushboo Doshi: No, that is not the question. Okay, go on, Go on, Prakash bhai. Sorry.

Prakash Daga: Yes. So, if I am correctly understanding, what Mr. Gala is asking is, what is the existing capex, which has already been incurred?

Khushboo Doshi: Yes. Right.

Prakash Daga: So, it is somewhere around INR2.5 crores, which is shown as capital work in progress.

Mahindra Gala: No, sir, I am talking about the revenue generation is INR200 crores to INR250 crores of turnover. So, it is on what capex that we are generating on this. That is what my question is.

Prakash Daga: The current, see current asset block is -- The current asset block is INR35 crores.

Mahindra Gala: So, we are able to generate on INR35 crores something around say INR200 crores to INR250 crores. And now we are planning the INR22 crores to INR25 crores of investment and we are looking for something INR70 crores to INR75 crores of an additional turnover, right?

Prakash Daga: Right.

Mahindra Gala: And this all investment would be in the building as you explained or is there any other plans that is in pipeline?

Khushboo Doshi: So, there would be building, there would be tools and also investment in the further team building because we need more people in the R&D and of course in the sales and marketing.

Mahindra Gala: Okay. And one more question is about, we are looking for an around an export of 50% this year going to be the product mix of the current year. So, what is on the margin side? Whether the domestic and the export margins are the same that company is able to earn or is there any difference compared to the indirect tax benefits? Sorry, sorry madam, we are looking at the indirect tax benefits that company has on the exports. So, what is going to be the margin on the local domestic turnover and the export turnover like that?

Khushboo Doshi: Yes, Prakash sir.

Prakash Daga: See, the indirect tax benefit which you are talking about is normally the GST benefit otherwise the earlier MEIS and all benefits have been withdrawn already. So, only the GST percentage is the cost difference between exports and domestic and that is also all our export customers are much aware about it. So, it does not give any additional benefit in terms of margins. It is only the price, basic price which we negotiate with the customers and that gives the margins.

Mahindra Gala: So, you mean to say there is an equal amount of a margin on the domestic and the exports?

Prakash Daga: No, it might be different, it might be different depends on the customers…

Khushboo Doshi: Yes, it will be different, it will be different and because the domestic market the need of domestic market is less sophistication and less automation in the machine and the technology where export demands more which also contributes into the margin. So, export margin will be more as compared to domestic.

Mahindra Gala: Okay, so as we understood that the domestic the total size right now is 15% to 17% of the gross revenue. So, in terms of the domestic and in terms of an export can you just mention about what is going to be the margin size on the export side?

Khushboo Doshi: If you talk about the net margin in domestic it is extremely price sensitive market. So, you can say a 4% to 5% where incomes it comes to export it is nearly 30% to 35% more.

Mahindra Gala: Okay, thanks a lot.

Prakash Daga: Mr. Gala, are you there?

Mahindra Gala: Yes, please I am there.

Prakash Daga: Mr. Gala, you had a question regarding that cash flow, if I remember. So, it is just because we had discounted by bill against LC which was around 1.5 Crores and so it has been net of against the cash and bank balance sheet, that is the only thing.

Mahindra Gala: Because there is something written in the notes as a bank overdraft. So, I thought that…

Prakash Daga: It is not an overdraft, it is a bill discounted against LC. There was an LC of 90 days which has been discounted.

Mahindra Gala: Because there is a mention of an in the bracket size something bank over less bank overdraft something is mentioned on that. Yes. I thought whether it is a bank overdraft because there is an enough of cash flow, I do not think Rajoo has any time need the funds or shortage of funds, I think.

Prakash Daga: Exactly, I agree.

Mahindra Gala: Yes. Thank you, sir.

Moderator: Thank you. I now hand the conference over to Ms. Khushboo Chandrakant Doshi for closing comments.

Khushboo Doshi: So, I would like to thank you all for taking the time out and attending this call. I am also thankful to each member of our Rajoo Engineers family, as well as our clients, creditors, banks, financial institutes and all of the stakeholders. For any other further questions or information, please get in touch with our investor relationship. Thank you very much.

Moderator: Thank you very much. On behalf of Rajoo Engineers Limited, that concludes this conference. Thank you for joining us. You may now disconnect your lines. Thank you.