MACFOS LIMITED
(Formerly known as Macfos Pvt Ltd ,CIN-U29309PN2017PTC172718)

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Dated: 09/06/2023

To,
The General Manager
DCS-CRD
(Corporate Relationship Department)
BSE Ltd.
Rotunda Building
P.J. Tower, Dalal Street, Fort
MUMBAI-400001

BSE SCRIP Code: ROBU | 543787

Subject: Transcript of post-results Conference Call held on 07.06.2023

Dear Sirs/Madam,

This is with reference to our intimation dated 01st June, 2023 intimating holding Conference Call of the Company scheduled on Wednesday, 07th June 2023 at 4:00 PM (IST) for Audited Financial Results of the Company for the Half year and year ended 31st March 2023 and uploading audio recording post Conference Call respectively.

In terms of provisions of Regulations 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find attached the transcript of above conference call as Annex-1.

This is for your kind information and record please.

Encl: as above

Thanking you.
Yours Faithfully,
For, Macfos Limited

BINOD PRASAD
Digitally signed by BINOD PRASAD
Date: 2023.06.09 18:02:34 +05'30'

Name: Binod Prasad
(Whole Time Director & CFO)
DIN: 07938828

"Macfos Limited

H2FY'23& FY23 Earnings Conference Call"

June 07, 2023

MANAGEMENT: MR. ATUL DUMBRE – CHAIRMAN AND MANAGING DIRECTOR – MACFOS LIMITED
MR. BINOD PRASAD – WHOLE TIME DIRECTOR AND CHIEF FINANCIAL OFFICER – MACFOS LIMITED
MR. NILESH CHAVHAN – - WHOLE TIME DIRECTOR – MACFOS LIMITED

MODERATOR: MS. ASTHA JAIN – HEM SECURITIES LIMITED

Moderator: Ladies and gentlemen, good day and welcome to Macfos Limited FY 2023 Earnings Conference Call hosted by HEM Securities Limited. As a reminder, all participant lines will be in listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Ms. Astha Jain, Senior Research Analyst from HEM Securities Limited. Thank you and over to you.

Astha Jain: Thank you, Yashashree. Good afternoon, ladies and gentlemen. Thank you for joining Macfos Limited FY'23 Earnings Conference Call. Joining us on call today are the senior members of the management team, Mr. Atul Dumbre, Chairman and Managing Director, and Mr. Binod Prasad, Whole Time Director and Chief Financial Officer, Macfos Limited. We will commence the call with the opening thoughts from the management team, post which we will open the forum for Q&A session, where the management will be glad to respond to any queries that you may have.

At this point, I would like to add that some of the statements made in today's earnings calls will be forward-looking in nature. Such forward-looking statements are subject to risk and uncertainty that may cause actual results to differ from anticipated outcomes. Now I hand over the call to Mr. Atul Dumbre, Chairman and Managing Director of the company, for opening remarks, post which we will have the Q&A session. Over to you, Atul, sir.

Atul Dumbre: Thank you. Good afternoon, everyone. Thank you for being with us today at this moment. I am Atul Dumbre. I am Chairman and MD of Macfos Limited. Present along with me from our side today is Mr. Binod Prasad, who is CFO, and Mr. Nilesh Chavhan, who is a Whole-Time Director. So on behalf of our company, Macfos Limited, a warm welcome to everyone on this conference call of declaration of Earnings for H2 FY 2023, which is the year ended 31st March 2023.

So let me start a brief business overview, and then I will hand it over to Mr. Binod Prasad, who is promoter and CFO for financials part. And after that, we'll be more than happy to take all your questions and suggestions. We are pleased to report revenue of INR 80.80 crores and PAT of INR7.41 crores for FY23. So that is revenue of INR80.80 crores and PAT of INR7.41 crores. This is inconsistent with our growth so far, and which is translated to three years CAGR of turnover of 71%, EBITDA of 108%, and PAT level of 191%.

This all achievement is despite of the challenges posed by a volatile global environment, which includes fears of war, also fears of recession, and also supply chain disruptions that we have seen over last year. And I believe that our business fundamentals are robust and strong, positioning us on trajectory of sustainable growth. Last year presented its fair share of challenges, I must say, primarily revolving around supply chain issues. In fact, there are two things I would like to highlight related to supply chain.

Firstly, there were widespread shortages about semiconductor products. You all must have heard about those shortages going around over the globe. And secondly, the supply chain was inconsistent. That means that when we require the material, sometimes the sea freight shipment, for the sea freight shipment or the air freight shipment, it was not available at the right time. There were delays due to that inconsistency. Now this resulted into availability and high prices of the products, which impacted both us and our customers. However, to respond to these tricky situations, like there are two things that we have to respond.

One is the shortages or lower availability of material, and second is pricing. So in response to shortages, what we have done is prioritize our sales to our corporate customers, because we know that these people are into some production activities. And also these corporate customers are generally high value per order customers for us. So we have prioritized those customers during the times of shortages. And as you can see in the numbers, this has resulted into higher number of corporate orders for us during last year.

And we believe that this focus on corporate customers last year will help us in coming time to grow even higher. Secondly, there was an issue of pricing, because of the shortages and intermittent supply, the prices were going up and down, mostly up. What we have done is we have absorbed some of the price jump into our margins and passed some of the prices to the customers. This was also a strategic decision driven by that the shortages and price jumps are short term, but the customers are long run.

So we wanted to protect and support our customers during these tough times. And both of these initiatives or strategic decisions I feel will help us in longer run. Talking about the products, we are doing sustained investment and focus on building categories of development board and drone segment for last three, four years. And this has yielded in remarkable growth for us during FY23. We anticipate that the seeds that we have sown in these sectors for last three, four years will give us fruits even in coming times for near future. We are also working on three or four categories in coming year, which will act as a road driver in long term.

Looking ahead, we are very optimistic about our prospectus for 2024. Our projected success will be underpinned by three key factors, I feel. One is expanding into new categories. So while expanding into categories, we will have, we will acquire new brands as well as we will be introducing new products. Second is optimizing our supply chain to get the products at better pricing and consistently for our customers. And third is emphasizing development of our proprietary products because these products are really close to our hearts and we believe that these products will be key in long run future.

We are a technology focused company and as so we remain committed in advancing ourselves to developing scalable in-house infrastructure, which will accommodate our future growth. Furthermore, we want to enhance our operational efficiency and accountability of people by maximizing utilization of this in-house developed ERP system. Also, in addition to the commercial efforts that we are taking, we have made significant strides in servicing government orders. We have established in-house dedicated team to focus on government sales and we are also increasing our presence in this government sales market.

Lastly, we have successfully implemented a warehouse system which is capable of processing 5X the orders that we are processing today. This system will certainly help us in our growth in future. Now coming to some data points, our average monthly website and app visitors combined have seen increase from INR1.9 lakh in FY20 to INR4.6 lakh in FY23. Similarly, the total order served has increased from 83,000 which we served in FY20 to 2,15,000 orders that we served in FY23 alone. Our average order value has grown from around 2,000 in FY20 to around 3,700-3,800 in FY23. Company has also served almost 10,500 PIN codes in last financial year, FY23, which is roughly 60% of the total PIN codes in India.

While number of customers who place two or more orders increased from 15,000, in FY20 to around 48,000 in FY23. Our inventory management is also very efficient which I believe is one of the highlights of our company. So only 2.33% of our inventory comes under a very slow moving category and we are confident that we can also clear this inventory by keeping moderate or slightly lower margins. And this is also reflected in our return or replacement orders, which is only 0.28% of the revenue that we generated last year.

Overall, we are confident in our ability to capitalize market opportunities and deliver a strong performance in the year ahead. That's all from my end. Thank you. And I'll now hand over to Mr. Binod Prasad, Promoter and CFO of the company for further financial overview.

Binod Prasad: Good evening, everyone. In financial year ‘23, we have achieved total revenue of 80.8 crores with EBITDA of INR11.35 crores and PAT of INR7.41 crores, which is roughly 14% and 9.2% respectively. In comparison to financial year ‘22, growth in revenue is 45%, while growth in EBITDA is 26% and growth in PAT is 25%. As the CFO of our company, we believe that despite the discussed challenges, the current results are good. However, we acknowledge that there is still room for improvement, particularly in terms of our top line and gross profit. And we are continuously working on strengthening these areas.

When it comes to our expenses, we have been performing well, I'll say, by keeping them in check and optimizing them continuously, which has become a kind of habit for a company like us, which is a bootstrap company. If we examine our expenses, we can see that they have not increased as deeply as our revenue. So while our revenue has grown by 45%, some expenses have only increased by say, 10%, 20%, or 25% only. This indicates that we have the potential to leverage our PAT better in the future.

As a company, we place constant focus on both present and future growth, which is reflected in our diverse workforces, consisting of individuals who contribute to the present as well as the future. So if you check on our HR expenses, I mean, related to salaries and all, it's in sync with what the growth in business is 45%, so it's roughly 45% to 50%. I mean, it's higher, with respect to financial year ‘22, our interest expense for the last year amounted to INR84 lakh, which is primarily due to some previous loans with higher interest rates. However, these loans will be fully paid off within the next 12 months as per their normal tenure.

Year-over-year, our financial ratios such as current ratio, debt-to-equity ratio, have shown improvement. In fact, we have managed to achieve last year's revenue without taking on any additional debt for operational activities. So overall, we are confident and ready to achieve our financial and planned forecasted growth.

So that's all from my end. Thank you. Over to Yashashree, you can move ahead with Q&A.

Moderator: Thank you very much, sir. We will now begin the question-and-answer-session. We have our first question from the line of Shikhar Mundra from Vivog Commercial. Please go ahead.

Shikhar Mundra: Hi, sir. I want to know the split between the B2C business and the B2B business in terms of revenue and the residual margins in each segment.

Management: So in terms of, I mean, division, you can say B2B is roughly, 55% of total revenue and B2C is roughly 45%.

Shikhar Mundra: And in terms of margin, what's the respective EBITDA margin for each segment?

Management: For corporate orders, it's roughly 23% and for B2C, it would be roughly 30%, you can say.

Shikhar Mundra: Okay. And so what are our targets for the next two to three years? Like what kind of growth are we seeing?

Management: I mean, on demand side, there is good potential we see. So I mean, what we have planned, I mean, we should be able to achieve that.

Shikhar Mundra: And how much are we targeting revenue? I mean, in terms of growth in revenues?

Management: I mean, it will be in the same line of, I mean, what we are continuing to do. So it will be in the same line. It won't be right to disclose the number, but yes.

Shikhar Mundra: All right. And I want to understand about the competitive intensity, like who are our major competitors in this space? And what would you say, is our share and like how big is the industry? Something on that?

Management: I mean, there is no competitor in the listed space at least. But yes, of course, there are some competitors. But I mean, they are not internet first companies. I mean, they are a conventional kind of company who runs with their convention like salesperson and also their reach is kind of limited. So yes, you can say there are companies with similar nature of activities, but their way of operation is very different than what we do.

Shikhar Mundra: Okay. And I want to understand, like, what are our total ad spends or marketing spends?

Atul Dumbre: Yes, Atul here. So could you please repeat the question?

Shikhar Mundra: Ad spend or marketing spend for the website.

Atul Dumbre: Okay, so what do you want to know about the marketing spend?

Shikhar Mundra: The amount we are spending on marketing.

Atul Dumbre: Okay, so the marketing -- ad spend directly amounts, I don't think it's right when you put in the numbers. But generally, as a rule of thumb, we try to keep our marketing expense below 2.5% of our overall revenue. So the way it goes is this, that we want to maintain, let's say, A, which is our gross margins. And after that, we have put limit to all our expenses. So salary expenses and marketing expenses and this expense and that expense and the bottom line, we know that we want to maintain around 9% to 10%. So we control all our expenses within those percentage figures of our revenue so that to reach to the bottom line that we want to achieve. So for marketing, it is around 2.5%. Below that, we are supposed to, like we always try to control below 2.5%.

Shikhar Mundra: All right. And so we expect these marketing spend to grow in line with the revenues only? And or do we?

Atul Dumbre: Everything. So this is the fundamental of our business philosophy. All our expenses must, and I'm emphasizing on must, all our expenses must always be proportional to our top line, only then we will be able to reach the bottom line, which is respectable, like which we want to reach. So if you want to grow, let's say, our marketing expense, we have to increase our business accordingly. So it's like maintaining a proportion.

Shikhar Mundra: And one fundamental question I have with the business, like being a primarily trading business, how do we generate such good gross margins like in the line of around 30%?

Atul Dumbre: I think you'll have to ask that to our customers. But yes, I think it's not just a trading business. It's more than that. I think we are into a technology business. And we are selling a complete technical solution to our customers. So our customers really value, we keeping all the products that we know that they'll require for a solution. So for example, if you want to make a drone, you don't just require motors.

You require 20-odd products which are compatible with each other. And then you have to keep those products in optimized stock to serve the customer at the right point in time. So that is a way beyond trading. That is not just buying a motor and selling a motor. We believe that we are a technical solution provider kind of in our business sense. And I think that helps because we are technical people and we know our customers requirements. And we act on that basis.

Shikhar Mundra: All right. Thank you. If I have more questions, I'll join the queue.

Atul Dumbre: Okay.

Moderator: Thank you. We have a next question from the line of Anuj T. from Nomura. Please go ahead. Mr. Anuj, please ask your question. We have unmuted your line. Since there is no response, we'll go on to the next question from the line of Lavneesh Mohan from Czar Capital. Please go ahead.

Lavneesh Mohan: Thank you for the opportunity and thank you to the Macfos team for organizing this call. You know, I'm more interested to know something on the history of the company. In a sense, what was the genesis of this business venture? What was the idea? And which are the similar aspirational companies in the Western world that we could understand to understand Macfos better?

And finally, when you came to the public markets, the company did not raise money. I just want to know the thought process around this strategic capital allocation decision that the promoters took, because the effort that went into doing the SME listing, within that effort, the company could have raised capital and accelerated growth. So those are my questions. More sort of philosophical questions around why and how this idea came to fruition and why the promoters decided to just do an OFS and the company did not raise any money in the IPO?

Atul Dumbre: Okay. So, Atul here, again. And the backstory of Robu is that, we are four friends first. We are all friends from engineering college, I can say. And before Robu, we have a failed business of doing chapati machines, 2011 to 2013. And that is where like we did one year in the industry, 2010 to 2011. And then we have this background of failed business. I'm just rushing through because I feel not the right venue. And because of that failed business background, we value every rupee that we spend. And that is how we started from scratch in 2014.

And basically our business became our first investor. So we started selling some products which were high margin back then. And I think, partially, we have to give credit to the situation because that time Amazon, even Flipkart like, e-com was in existence in India. So we got, I'll say a time leverage at the time. And also these activities related to electronics industry were also taking a steep upward curve, started taking a steep upward curve from that point on. So basically, being friends and bring from the technical background helped us. We knew even today we believe that we knew how this segment works and what are the requirements of the customers. That certainly helps.

If you go to the western side, one of the part of your question was, what are the western companies that you can look up to? So if you go to western side, there are companies like maybe element14 or Farnell Group, Arrow. There is Sparkfun, Adafruit. So I'll not say it's apple-to-apple comparison, but these are generally type of companies that we are. Although, we are trading in multiple segments and our core is always the new products coming into markets. But yes, these are the western companies.

And one of your, like I think third part of your question was why did -- we didn't raise any money or, thought of growing exponentially by not raising the money. So from day one, we are bootstrapped. And initially you don't do like, for three, four years, we're just like, I'll say we were trying to make sure that our business fix and it does not fail. Because initially, initially it was really not that big of a picture in front of us. And later on, we were getting sufficient funds from the bank for our business growth. So there was a time when, we were growing sufficiently with the bank funds and never thought of raising the money and so on. So I think I have, I've been able to answer your questions.

Lavneesh Mohan: Yes, thank you very much. One follow up, when you made the opening remarks, you mentioned that apart from the drone, which is your large category, there are certain other new product categories that you are going to focus on in the near future. If it's okay, could you tell us which are these new product categories?

Atul Dumbre: I would not prefer it was intentional to keep the names under wraps. I would not prefer to tell the names right now. It's already underway, our plans are already underway. But we want to leverage the situation till sometime till we build a base in those categories at least.

Moderator: Thank you. We have a next question from the line of Rajesh Singla from VTG Capital. Please go ahead.

Rajesh Singla: Maybe with respect to your sectors, which you are helping in supplying these components, can you name a few sectors which are very important for your growth? Like, are you supplying anything to the defense sector or any other sector which you would like to name? So that is the first question.

Second question would be what is the revenue share of proprietary, manufactured or assembled component which you basically assemble yourself and then sell it like maybe the board or other things?

And the third question would be on revenue growth and margin improvement in FY '24. As I believe that now we are seeing substantial improvement in supply chain, can we expect your EBITDA margin to come back to FY '22 levels? And on the revenue growth part, you said that you will be able to maintain the historical level of growth. So it was 70%. So are you comfortable in achieving 70% of revenue growth in FY '24? Thank you.

Atul Dumbre: Yes, hello. Atul here again. So I think it is a club of two, three questions. So first you asked about the sectors that we are bullish in. So I think as a company, when we talk about sectors, we do not talk about the consumer sectors like, automobile and let's say defense and maybe some electronics companies, something like that.

We focus on our product segment that is by the strategy of company, we focus on product segment. So we have already mentioned that we are more bullish on development boards and drone parts. And also we see the business of IoT machine learning like the wireless stuff that is going to be a good growing sector for us in coming few years. So talking about sectors, more of product-based and development board drones, I'll say IoT are the three segments that we are currently bullish on.

Secondly, you mentioned about the OEM category or own products revenue. So the revenue is generally 2% of our total revenue right now. That is the mix. Okay. And third, you mentioned about being the supply chain issue getting back to normalcy, what numbers we will be able to achieve.

However, I don't think I'll be able to talk in terms of numbers on this call. What I can say is that with supply chain easing out or eased out to almost normalcy, we believe that it will fuel our overall growth and we are hopeful to see good numbers in 2024.

Rajesh Singla: So maybe just on the supply chain, is it possible to share how much sales you lost because of supply chain issues during last year? Because I believe the margin number definitely are there. So there is a dip in the EBITDA margin because of supply chain issues. So can you comment on how much sales you lost or you could not serve in FY '23 because of supply chain issues?

Atul Dumbre: Yes, actually, this was a quite hot topic inside the company when we tried to calculate the loss sales due to, let's say out of stock, we call it that. So because the products are not in stock, how much sales we have lost. However, it is really difficult to calculate those numbers with some logical conclusion.

Because what happens is when the products are out of stock in the market, it's really like we don't have the products, but some customers may arrange them internationally or maybe some customers are going for a different product, alternative product at that time. So I think it's really difficult to reach to those numbers.

We tried to reach to those numbers, but it was really not making any sense. And many of the things like some of the niche products that we have, so many of the times the sales converts to a delayed sales. So it's really hard to make a rational number and put a finger to a return sale like, this is the sales that we have lost. It's kind of very complicated situation.

Rajesh Singla: Okay, so maybe just on the sales growth part, I think it looks like it seems quite fascinating when we look at like 70% CAGR and management is saying that we will be able to maintain the historical growth rate. So will it be wrong to assume 70% growth next year? Should we say like 40% kind of level looks more reasonable? I know you cannot share the numbers, but maybe just if you can share some like rough ideas where we can, where the investor can think about it?

Atul Dumbre: I really cannot comment on this because it's just like a Narova kunjarova situation for me. So I have been sandwiched in between one side, I'm not allowed to share and other side, I really know the investors want to know. I also want to tell that is the situation. But yes, let's move ahead with what it is. So we are hopeful for good growth.

And I think we have grown our metal with COVID situation coming in supply chain shortages were even more steep three years ago. So we have grown our metal with our numbers without having an external support from any like free flowing money through the investors, we see us something like that. I think that gives investors some confidence in us. That's it.

Rajesh Singla: Maybe last question from my side, if it is possible. So I just want to know like what kind of product portfolio expansion you can bring in apart from the product portfolio you have. So how many products you can add? I know it's an internet business, you can add as many products as you want, driven by the demand of the sector. So any insight on that? Like what kind of product segment you can add in your business?

Atul Dumbre: I think I already named a company in the western side, which is Farnell, and they are having around 3 lakh products in their portfolio already. So I think we have enough headroom, like if we see in the future, we have enough headroom for at least, short term future and short term is like roughly five years for me. So we have good headroom to even add the new products. I think we are sorted with that. So there are there are like hundreds and thousands of products in this categories, electronics and they are going to grow.

Rajesh Singla: Sorry, what is the name of the company? If you can just spell it?

Atul Dumbre: Farnell. It's a UK based group.

Rajesh Singla: Yes. So just one more question, sorry, I just came across one more question. Basically, in terms of the supply chain, so how much of your sourcing is based out of China and how much is based out of India?

Atul Dumbre: So I think 90% of our sourcing is based outside India. That number I have roughly in my mind. Now, percentage in China, I'm not sure. But yes, I'll say one thing that it is a lot. And many times because China has become manufacturing capital of the world. So many times it is like. A company situated, let's say, in U.K. However, we are we are they are manufacturing in China and they're importing product from China. So many of our companies have that situation in place where the principal is situated in some other country. But since it's economical to manufacture and distribute over the world, so manufacturing is happening in China.

Rajesh Singla: Okay, so your vendor, your suppliers are based out of the U.K. or Europe, but they supply their material from China.

Atul Dumbre: Yes, because it's economical to produce in China. And why to do it two times to get them to U.K. and then again to other countries. So I'll not say all of the suppliers, but that is the complicated situation that we have. So principal design product in some other country and it is getting shipped out of China.

Rajesh Singla: Okay, sure. So your direct sourcing is not from China. So you place order with the…

Atul Dumbre: I'm not saying I'm not saying our direct sourcing is not from China. For some company it is. The companies are situated in China. For some companies, it's a mix where companies not situated in China, but we are still getting material out of China. And I'll be very frank with you. Like if this question ultimately is directed towards dependency on China. So I'll be very frank with you. The whole world is.

Rajesh Singla: Yes, no, definitely. I think everyone is dependent on China. So you can't single out one company that is dependent. It's more dependent on China. Yes, no, it's okay. I think electronics, the global electronics is all dependent on China?

Atul Dumbre: Because of pricing, that's a whole play.

Rajesh Singla: Pricing and the manufacturing boom is so in China. So it's okay. I think it's fine. Thank you very much.

Moderator: We have a next question from the line of Kiran B. Chheda from Chheda Investment Consultancy. Please go ahead.

Kiran B. Chheda: Sir you just mentioned that you have started supplying to the government. Now, what do you mean by government? Is it the government projects, government departments, government companies or what?

Atul Dumbre: So mainly we are targeting government R&D labs right now. And we are directly we are targeting supply directly to the government agencies. How to put it? So there are R&D labs, government labs like Bhel, DRDO and all other institutes. So there are educational institutes like IITs where a lot of research is happening.

So government is a big umbrella and we are trying to get our products across by forming a separate team and reaching to the government agencies trying to like it's the usual cycle for us where we always want our products to enter into some research or prototyping cycle. And we are pretty sure that, down the line when the research or proto converts to a product, then our product will move along the line.

Rajesh Singla: Okay, what percentage of your revenue would be government, in the last year?

Atul Dumbre: Just give me a second. We're not very sure on this number right now, but it is somewhere around 7% to 8%.

Rajesh Singla: 7% to 8%. All right. And sir, how does this thing, do these entities log on to your website and order or do you approach them, with some products, which they might be needing or how does it work?

Atul Dumbre: So the government purchasing works through two things, like for smaller things, most of the government agencies are going to jump portal, right now and for higher value purchases, it's always that, they float the tenders. So currently our strategy is getting in touch with them and because of smaller orders already, we have already interacted with them for smaller orders. So we are now getting in touch with them and trying to get these tenders for higher value orders. So we are currently trying to convert the smaller order that, we received into the high value orders.

Also, there are different portals, like different government agencies have different portals. We are trying to get registered on those portals and hence increase our presence in the government related ordering.

Rajesh Singla: Okay.

Atul Dumbre: And we have already done the basics, registering on portals, getting in touch, to a handling smaller orders. Now we are trying to get into the bigger orders states.

Rajesh Singla: Okay. And generally what are the payment terms, sir? Because when the government agencies, the payment is most of the time an issue with these companies, government agencies?

Atul Dumbre: Yes, so generally, they have some credit terms, mostly in queues of 30 days or more. And if you go with the portals, I think our, like it's not the old days where the government payments will be delayed by, like who knows, how many days. So even if we deal with them with credit terms, with the portals coming in and purchasing happening online, we see payments happening more or less on time. We will take a week's delay here and there, but yes, it's not the old days where, you see the government payments, which will happen, God knows when. So that is the reason with the orders.

Because central government is also pushing for the new policy and transparency in the payment. So it's almost like that, the government agency, who purchase the material, is only responsible for purchasing. And once they approve that, they have received the material, payments are handled by another agency within the noted credit, like once the noted credit period is over. So it's pretty straightforward at this point in time.

Rajesh Singla: My only fear is that, because we are seeing an N number of companies that, this becomes an issue. While, we being a very small company, we need to be extra cautious on this?

Atul Dumbre: Yes. So since we are doing 7% to 8% of the sales, I'll tell you this, as on today, we do not have any government defaulter who has debunked the payment for us. So I think, we have a, I'll say very small experience, but yes, so far so good experience.

Rajesh Singla: Yes, that's good to hear. All right, sir. Thank you so much.

Atul Dumbre: Okay.

Moderator: Thank you. We have a next question from the line of Pranay Gandhi from Green Portfolio. Please go ahead.

Pranay Gandhi: Hi. Good evening, sir. Sir, I just wanted to touch back on the government order part. I just wanted to know from you, what is your outlook? And I happen to hear that, the current proportion was 7% to 8%. Are we anticipating any growth or are we targeting any sort of growth in this department?

Atul Dumbre: Hi Pranay, Atul here. I just couldn't, could you repeat your question, please?

Pranay Gandhi: Yes, I was just trying to get more information on the government order. During the last year, it was 7% to 8%, right? Are we targeting any growth in that number or we would want to remain around that number itself?

Atul Dumbre: So the government orders, you are saying, right?

Pranay Gandhi: Yes, in terms of promotion to our total revenue?

Atul Dumbre: Okay, I'm still not getting your question. So your question is for government orders or corporate customers?

Pranay Gandhi: Government orders?

Atul Dumbre: Government orders. Okay. And last year, we have done 7% to 8%. That's what, we have said. So you are asking that, whether we want, yes, we are bullish on government orders because currently, our government order situation is, we have a large number of orders with small order value that, we believe, there is a lot of potential in that segment. And we would like to further check the possibility of, exploring that segment and from our sides, see how it goes.

Pranay Gandhi: Any expectation on number that you can share for FY ’24 that, you are targeting?

Atul Dumbre: We have some internal numbers, but I don't think it will be right to share the future forecast numbers.

Pranay Gandhi: That's not a problem. And I just wanted to touch back on the EBITDA part. It was said that, it is 23% for B2B segment and 30% for B2C. So it should be somewhere in the range of 24%, 25%. But, if I happen to…?

Atul Dumbre: These are gross margins.

Pranay Gandhi: Okay, these are gross margins. Okay, can you throw some light on, I believe, your gross margins are in the range of 30%, right?

Atul Dumbre: Like for online orders, our gross margins are in the range of 31% to 33%, I guess.

Pranay Gandhi: Okay. And can you give a number on bottom line that, you want to sustain? Previously, it was mentioned 9 to 10. Did I hear it correctly?

Atul Dumbre: **yes,** we want to sustain.

Pranay Gandhi: Okay. And my last question would be on your competition. It was mentioned that, the advantage that, we have over our competitors is that, their reach is limited. Could you please elaborate on that?

Atul Dumbre: Yes, so I think there are two, three things that are USP to us, as a company. One is that, we are an online first company, right? So let's say, there is a company, who is located in Mumbai, right? They have office in Mumbai, but they are focused on selling these products by, let's say, sales team, who is visiting the customers on foot and then pitching their products and selling. So they can maximum sell to the Mumbai region customers or if they have some big order customer, maybe their sales person can visit Bangalore or Delhi or Pune, right? Whereas we as an online first company have advantage of having a website, which can reach to everyone across India without having to implement these sales team. Like that.

Pranay Gandhi: Sir, but in today's era, a company can develop their website as well, right? Is there a mode that, we have any advantage? Even it's a…

Atul Dumbre: But can they get the website as popular as Robu even if they develop the website? We have developed our website since around eight years and it took that much time to develop all the content of our website, get the SEO right and to reach to the level, where there are five lakh people visiting our website every month, website plus app combined. So it's just like building a brand. So tomorrow anybody can maybe make TVs, but we cannot assume that, the TV manufacturer will start competing with maybe LG or Samsung right day after. Even though, it looks very simple, anybody can just make some TVs, something like that.

Pranay Gandhi: Make sense. Thank you for my question.

Atul Dumbre: Yes. Thank you.

Moderator: Thank you. We have a next question from the line of Manan Patel from Airawath capital. Please go ahead.

Manan Patel: Thank you for opportunity and congratulations for great numbers. The first question is regarding the inventory. So I understand, we are inventory led model. So we buy all the goods and then we keep it on our books and then, whenever it sells, it sells. So to continue the growth, we would need substantial investments in inventory, in the coming years. So how do you look at the cash flows in terms of, inventory investment?

Atul Dumbre: Okay, so Manan right now, the inventory turnaround ratio that, we have, we are maintaining is around 2.5 to three months and we believe that, inventory is our strength because it's not just any inventory. Currently, we have around INR16 crores, INR17 crores worth of inventory. So it's just not any inventory. It's a really curated inventory of what we have 15,000 products. So what product and what quantity, that is really important. And that knowledge that, we have built with our knowledge and experience of years. Right. So our inventory is our strength. That is what, we believe because it is right product in right quantity, which gets rotated in 2.5 months to three months. It's not like, whichever product sells whenever.

So we want to continue having this inventory rotation because with our experience, we have grown from, last before three years, our revenue were at least, one third of current revenues. And right, we have grown at least 3x. But yes, we are still maintaining those ratios because we have placed systems in place. And, we'll continue to do so. So, we will be having inventory proportional to our sales, which we will be rotating 2.5 months to three months. That is the whole strategy. And once you have product in stock, it becomes easier to sell. It becomes easier to market. And it's part and parcel of our business.

Manan Patel: Understood. The second question on the cash flow. So this time, we had substantial increase in the trade payables, which helped our cash flows, well. So can you throw some light on, why trade payables increased so much? Or we got very good terms and we will going forward, we will get the terms from our vendors, going forward?

Atul Dumbre: Yes. So, we know the, my CFO is the right person to answer this question. I just hand over to him.

Binod Prasad: Yes. So can you please repeat your question once?

Manan Patel: Right. So my question is regarding the trade payables. So the trade payables increased substantially in this year, if we compare last year versus this year. And that helps our operating cash flow and partly, finance the inventory also. So does this trade terms are sustainable going forward or how do we look at?

Binod Prasad: Okay, so I mean, just hold on. It's a. Yes, you can see, these are bit on higher side, but usually, what we do is, it's normally, as on today, it is close to INR2.5 crores or INR4 crores. So this is bit on higher side. Usually, our trade payable ranges in between INR4 crores.

Manan Patel: Okay, so the current trade payables are higher and it might go down to some extent, going forward?

Binod Prasad: Yes. If you see our current scenario, it's way less than this. It would be close to INR4 crores.

Manan Patel: Understood. And sir, in terms of you, very well explained in the inventory model. So, if we are on a high growth path, do you think, we would need to raise substantial funding from banks or maybe equity, going forward, a few years down the line?

Binod Prasad: Yes, that situation depends on, how much growth you are targeting. So, if you are targeting, say, 5x growth, obviously you'll be needing a lot of funds. So our, future forecast and growth are such that, we should be able to maintain the whole thing with our own cash flows, internal accruals and of course, with our bank limit, that we have.

Manan Patel: Understood. Thanks a lot and wish you all the best.

Binod Prasad: Thank you.

Moderator: Thank you.

Binod Prasad: Any questions?

Moderator: That was the last question for today, sir. I would now like to hand the conference over to Mr. Astha Jain from HEM Securities Limited. Please go ahead.

Astha Jain: Thank you. On behalf of HEM Securities Limited, I thank Macfos Limited team for listening patiently and responding all the queries in such a detailed way. I would also like to thank all the participants for joining this call. Now I would like to hand it over to moderator.

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