

Rajoo Engineers Limited

Rajoo Avenue
Survey No. 210, Plot No.1
Industrial Area, Veraval (Shapar)
Rajkot - 360 024, India

Phone : +91-97129-62704/52701/32706
Fax : +91-2827-252700
E-mail : rel@rajoo.com
Web : www.rajoo.com

RAJOO[®]
excellence in extrusion

REF: BSE/ CALL TRANSCRIPT/Q4/2021-22

12th June, 2021

To,
The Department of Corporate Services,
The Bombay Stock Exchange Ltd.,
Phiroze Jeejeebhoy Towers,
Dalal Street, Mumbai- 400 001,
BSE Scrip Code: 522257

Dear Sir/ Madam,

SUB: Intimation of Transcript of Analyst Conference call held on June 8, 2021

This is to inform you that pursuant to Regulation 30 of SEBI LODR Regulations, 2015, and with reference to our stock exchange intimation dated 5th June, 2021 towards Investors/ Analyst Conference Call, we are enclosing for your record a copy of the transcript of the said conference call conducted by the Company on June 8, 2021.

We request you to please take the same on your records.

Thanking You.

Yours Faithfully,
For, RAJOO ENGINEERS LIMITED


Utsay Kishor Doshi
Joint Managing Director



Regd. Office : Junagadh Road, Manavadar, Dist. Junagadh - 362 630. Gujarat - India.

CIN : L27100GJ1986PLC009212 GSTN : 24AABCR3204M1ZL





“Rajoo Engineers Limited Q4 and FY '21 Earnings
Conference Call”

June 8, 2021 -12.30pm



**MANAGEMENT: Ms. KHUSHBOO CHANDRAKANT DOSHI – MANAGING
DIRECTOR, RAJOO ENGINEERS LIMITED
MR. UTSAV DOSHI – JOINT MANAGING DIRECTOR,
RAJOO ENGINEERS LIMITED
MR. SUNIL JAIN, EXECUTIVE DIRECTOR AND
PRESIDENT, RAJOO ENGINEERS LIMITED**

**MR. JAYANTILAL JHALAVADIA, CFO, RAJOO
ENGINEERS LIMITED**

Moderator:

Ladies and Gentlemen, Good Day and Welcome to Rajoo Engineers Limited Q4 and FY '21 Earnings Conference Call. Today, we have with us Ms. Khushboo Doshi – Managing Director; Mr. Utsav Doshi – Joint Managing Director; Mr. Sunil Jain – Executive Director; and Mr. Jayantilal Jhalavadia – CFO.

This conference call may contain forward-looking statements about the company, which are based on the belief, opinions, and expectations of the company as on date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict.

As a reminder, all participants' lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' and then '0' on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mrs. Khushboo Doshi, Managing Director, Rajoo Engineers Limited. Thank you and over to you, Madam.

Khushboo Doshi:

Good Afternoon everyone, Welcome to Rajoo Engineers Limited earning conference call for the fourth quarter of the Financial Year '20-21. I would like to begin by expressing my gratitude to all for taking the time out and joining us. On the call with me today, we have Mr. Utsav Doshi our Joint Managing Director; Mr. Sunil Jain our Executive Director and President; Mr. Jayantilal Jhalavadia our CFO; and Bridge IR, our investor relations team. Before we get into the business and financial performance of the last quarter and the year, I would like to share a brief insight about our company. We have come a long way since inception and crossed several milestones over the recent past. Today, we are among the leading plastic extrusion machinery manufacturers in India with 35 years of excellence in extrusion in the industry. Based in Rajkot, Rajoo Engineers Limited made a modest beginning in 1986 and has emerged as an undisputed global player in blown films, sheet extrusion lines, thermoformers, and extrusion coating and lamination lines. Owing to our focused efforts, the company enjoys a premium market position in this segment. In line with our strategy, we continue to expand our global footprint with focus on market penetration and sustained investments in research and development to grow further. We continuously strive to identify new avenues of growth and effective utilization of our existing resources.

Being a technology-driven company, product innovation, world class quality, state-of-the-art workmanship, energy efficient and high level of sophistication and automation have become the hallmark of Rajoo products during all these years thereby positioning our product on a global platform competing with established world leaders. With representation in many countries

across the world and customers in over 70 countries, our exports have multiplied since the debut in the international market in 1990. Recently, we unveiled extrusion coating and lamination machine as the post-extrusion process to substitute conventional adhesive lamination process for producing laminates for various packaging applications. Our brand reliability and position in the global market is future for the pipes, a number of strong alliances in the industry such as Kohli Industries from India, MEAF Machines from Netherland, and Bausano & Figli, Italy from Italy. It is an industry practice to build machines with client's specifications to garner competitive advantage, however, at Rajoo we have always been a pioneer of change and innovation by identifying just the right technology and its mix. To add value to client's business, we are being appreciated by stalwarts in the business of offering "appropriate technology" consistently to help customer business rather than following the traditional approach. This reinforces our motto of excellence in extrusion. I would like to go through some recent events in the company and as an industry by large.

As you are all aware, the past financial year brought significant headwinds for all the industries in the form of the COVID-19 pandemic. Even now, the impact of the second wave is impaired across the sector hampering logistics, supply chains as well as consumer sentiments, however, company has sustained through such times. During the first wave of lockdown, company immediately adopted the work from home policy for the senior Management team and the sales team from very next day and followed by that for other white-collar employees. Having years of experience in automation and with the adoption of Industry 4.0, we could start installation and commissioning of our giant machines through remote support and also continued the post – sales support. We came up with the strong strategies for international market, new product development, and standardization of existing products, which helped us to smoothly navigate during such uncertain times. At Rajoo, we believe that every adversity provides an opportunity to grow and succeed. In an effort to help our nation and make the best use of available technology knowhow, need of an hour machine was developed to produce N95 masks in India, an import substitution product much needed during the pandemic. With strong vision backed by passion for research and development and commendable teamwork, we introduced two products during the pandemic - Melt Blown Fabric Making Machine and N95 Mask Making Machine. This helped us to navigate through the tough economic condition prevailing then. Good order booking of Blown-Film Lines not only from the domestic market, but also from the export market resulted in a win-win situation for all our stakeholders.

Now, coming to our financial performance in quarter ended March 31, 2021, our company achieved net revenue of 56 crores growing 117% year-on-year. The EBITDA stood at 6.04 crores as against last year of 1.35 crores. In the previous corresponding period increasing almost 347 year-on-year though raw material expenses grew due to heavy uncertainty and price rise in a global supply chain system. We were able to improve EBITDA margin through internal efficiency and rise in the revenue. The net profit for the quarter is Rs. 3.91 crores as compared to Rs. 19 lakhs at the same time of year. Our EPS for the quarter was 0.55. Now turning to the full year FY '21, if we talk about the financial results in the year ended March 31st, company

achieved net revenue of 152 crore representing an increase of 63% year-on-year. This was preliminarily driven by a strong demand for packaged foods over the past year, which offset the impact of nationwide lockdown during the initial months of the period. The paradigm shift in consumption trend can be attributed to the pandemic. Demand drastically changed in the food business as the pandemic shut down all the restaurants and food services. Consumers moved to heavy grocery purchase due to which packaging demand increased, demand rose sharply for not only packaging of groceries but also for the healthcare products, e-commerce transportation. This resulted into higher production and sales volume of flexible packaging film followed by heavy expansion by existing players adding new production capacities. Continued orders from the market gave us healthy order book, which has improved the cash flow.

The EBITDA stood at Rs. 18.74 crore as against 7.32 crore in the previous corresponding period. The deadly COVID-19 pandemic has impacted the global economy and our company is no exception. Unavailability of manpower, implementing stringent COVID protocols to run our operations, and high cost of production has resulted an increase in fixed cost. Despite this, we were able to achieve improved EBITDA margin on the back of increased demand in the packaging industry. 2020 has been a very challenging year and the company has been facing truly an unprecedented situation. COVID-19 has impacted each of us personally and professionally. Metal price has been firming since August '20 with price increase of almost 45% in alloy, steel, and castings while copper and non-ferrous metal prices have increased by 42%. USD, EURO, and YEN has appreciated by 8% to 10% affecting the procurement of automation, electronics, and other critical important components. Uncertainty and hold on the global supply chain has resulted in increase of transportation cost by 15% and nearly doubling for certain destinations. Despite such headwinds, the company has improved the profit margin. The net profit for this year comes to 10 crores, approximately 11 crores as compared to 1.5 crore in last year. Our EPS for this year is 1.69 and so far with the God's grace we have done pretty okay and striving to do better in the future. With this note, I would like to thank once again all of you for having a patient hearing and I would like to take this opportunity to invite if there are any other further questions on the results being shared.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of R. K. Laddha from Yash Investments. Please go ahead.

R. K. Laddha: Congratulations to team Rajoo for achieving this stellar result, I want to ask few questions, our EBITDA margin has decreased by 300 basis points from Quarter-3 to Quarter-4, is it due to only price increase in metal?

Jayantilal Jhalavadia: Good Afternoon, it is because of some machines which were in the third quarter, they shifted in the fourth quarter and that was a narrow margin that is why it affected the EBITDA margin.

R. K. Laddha: Okay, we can consider that going forward, our margins will improve?

- Jayantilal Jhalavadia:** We expect that, but if the situation persists like this, then it is challenging for us, but we will try to improve that.
- R. K. Laddha:** I want to ask second question that is there any severe effect if Government go through plastic ban?
- Sunil Jain:** Good Afternoon everyone, it is an excellent question which was very well expected. Problem is the Government has been trying very, very hard to implement it, but the implementation on the ground has been really very challenging even from the Government's point of view, but to answer your question, since we continuously innovate and develop, we have been derisking our portfolio and we have come up with new machines like the extrusion coating and laminating lines, the tarpaulin making lines and extrusion coating line for Raffia, it has got nothing to do with the plastic ban. We are a machine manufacturer, we have to continuously innovate and not just be dependent on Government policy, so I hope I have answered your question.
- R. K. Laddha:** Very good Sir, and my last question Sir, I just cannot understand how our products are, what is our use in the white goods industry?
- Sunil Jain:** Our products are not really, let us put it differently, products made out of our machines are not used in the white good industry, that is a different segment of machines altogether.
- R. K. Laddha:** I have seen in our presentation that the industry which are using our product is show as white goods industry, that is why I asked this?
- Sunil Jain:** White goods presence is very, very small because getting technically into it they require very, very thick sheet lines and we are more into thin sheet lines. We are really not very focused, we may have supplied a couple of machines in the past and that is why you see the picture there, but we are really not concentrating on the white good segment.
- R. K. Laddha:** Basically, our company is focused on plastic extrusion and thin films?
- Sunil Jain:** Thin films and thin sheets.
- Moderator:** Thank you. The next question is from the line of Rohan Mehta, an Individual Investor. Please go ahead.
- Rohan Mehta:** Good Afternoon everybody and congratulations on a great performance and a great set of numbers this quarter and in the full year.
- Khushboo Doshi:** Thank you Rohan.
- Rohan Mehta:** Madam, just had some questions as we can see the revenue has really increased significantly and it is the impact of that we see has trickled down to the PAT level also since revenue has increased

a lot at a higher rate than most of the expenses, so what would you say is the main driving factor behind this growth of sales and how sustainable I mean what do you see the trend to be over the next one to two quarters, whether it will be of the same speed or less or more?

Sunil Jain:

Good Afternoon Rohan, you see what happened was if you see the last March and April as soon as the lockdowns were implemented, so people were very, very worried how they are going to eat and drink. So when the lockdown opened, the pent-up demand really went up very high and people started preferring packaged commodities like you have the e-commerce platforms delivering to your home, the groceries, the food items, and the beverages, so that is the reason why a lot of pent-up demand was opened up and we had a very successful year, coupled with a lot of support from the export markets. We ventured into many countries which we were there before, but we penetrated really harder and coming to your next question how we see the next two quarters, looking at the order book right now I am sure that question will come up but before that I am just anticipating it. We are currently booked for nearly five to six months that is the current order booking and we are striving hard to keep that level and even go higher, so next two quarters are going to be based on the current order book position and the pending orders looks to be promising.

Rohan Mehta:

Okay, once the impact of this lockdown reduces and things start opening up, do you see any chance of that impacting the demand and if that happens like Madam has already mentioned in the speech that we are diversifying into other end user machinery like N95, is that also a part of the strategy to you know look into different end verticals of catering to make different machines so that our dependence on plastic packaging sort of reduces in this?

Sunil Jain:

We have two strategies in place, one is definitely trying to get away from food packaging and as I mentioned getting into machines on making tarpaulin and also catering to manufacturers of woven sack, that is Raffia, an industry which has done very well so that is a new product line which has been added, and the second strategy is to concentrate more on exports. If you see from a global point of view, we are still a very small company, and India as such has got a very small contribution to exports, so export is a market segment which we see growing very fast, so we are already derisking our growth based on these strategies.

Rohan Mehta:

In terms of exports, do we have any particular region that accounts for a lot of demand or do we have a focus on a particular country or set of countries somewhere or is it evenly spread out?

Sunil Jain:

Currently, we have sold machines in nearly 70 countries and the mainstay still comes from Africa like you have Nigeria, Ghana the West Africa, and last two years we have been very successful as a strategy again to penetrate into Southeast Asia. We have supplied lot of machines to Vietnam, Malaysia, Thailand, and now we are looking at even getting into tougher territories like Europe and the US, so world is very big, the market still is very big and we are still scratching the surface.

- Rohan Mehta:** Right, and I believe once the restrictions ease out everywhere, things should also improve?
- Sunil Jain:** Definitely, and what we have also learned during this period as Khushboo also mentioned in capital equipment installation and commissioning and support after sales is very, very critical and we have geared up ourselves and we are installing machines through remote support and even servicing our customers.
- Rohan Mehta:** Looking at the P&L, I believe raw material cost has been probably the only the same point for us because that is what has caused dip in the gross profit margin, everything else has improved, so is it going to I mean how long do you see this impact to go, mainly because of striking issues or is it the logistics that have increased the raw material cost?
- Sunil Jain:** There has been a lot of volatility in all the commodities and that has what affected it coupled with the supply chain and logistic issues, which are now coming back to I would not say the same levels, but they will definitely stabilize, so our raw material consumption should come under control in the next couple of months.
- Rohan Mehta:** Sir, who would say are our top one or two customers in terms of sales and volumes for business?
- Sunil Jain:** If we look at the big customers during the last financial, one has been the Constantia group in the country which is an Austrian company, then even there is a very big customer in Turkey, and if we come back to India again, there is a company by the name of Fasttrack which is very big in making tarpaulin and also Balaji Wafers and Shreeja in Rajkot, these are some of the top customers.
- Moderator:** Thank you. The next question is from the line of Shri Ram Raj from RatnaTraya Capital. Please go ahead.
- Shri Ram Raj:** Thank you for the opportunity and congrats for good set of numbers, so firstly my question is on the sustainability of the orders, we mentioned that we have an order book of five to six months, so I just want to understand like how is the company placed in the next two or three years considering, you can throw light on the PLI scheme, how that would benefit us and also going further the packaging demand is it kind of a one-time thing or you will expect to sustain whether the momentum will sustain or not?
- Khushboo Doshi:** Thank you very much for the question, good question because everybody nowadays is talking about the sustainability be it in a plastic or be it in a life, so of course we also have a clarity on the way forward. We see that plastic packaging demand is not going away any day; of course when the people are talking about the sustainability, the entire market is finding and trying to establish sustainable solutions with the plastic itself and we as a company who is manufacturing such machines, we are equally developing new solution where the product can be recycled easily, so that is one way of going ahead and change the market that we soon will be coming out

with the equipment's which is able to produce the film which is recyclable so that is something which we are looking at three years down the line and that would be a trend, We firmly believe that plastic as a material will be with us for longer period of time than we really think, but of course with the sustainable approach, so this is what we are looking at and as Mr. Jain mentioned that the future growth we are targeting now in international market and we have a strategy in place for that. All this time there are Indian competitors and we would be competing with the Indian market, but now after supplying some of the key installation in MNCs like Constantia, we gained and establish our performance in the market and with this note we are now really would like to compete with the European players and the German players specifically, so that is where the product positioning in the international market would take place and that is where we are seeing the growth coming from for next three years.

- Shri Ram Raj:** How much would be the non-flexible packaging revenue?
- Khushboo Doshi:** It would remain in flexibles, see now the trend is enough in the flexible packaging itself industry is coming up with new developments, so the flexible packaging is not going away, it will remain that, but with the recyclable solution.
- Shri Ram Raj:** I just want to understand you had put several industries in your presentation, so I just wanted to get a sense of how much would be the non-flexible packaging portion, so I am basically referring to Slide Number 22 of your presentation, so we had put flexible packaging, agriculture, infrastructure, and all those things?
- Khushboo Doshi:** We still see that non-packaging product revenue from those product would be probably less than the packaging product, so that is how we see and of course on the Slide 22, we have mentioned about the PVC segment as well, so that is where our joint venture company is constantly working on those segments, so that again will contribute to 25% of the total revenue and 25% would be non-plastic and the 50% still would be coming from the packaging segment.
- Shri Ram Raj:** On the PLI scheme, do you stand to benefit?
- Sunil Jain:** We are still evaluating it and I am not too sure how far a plastic machine manufacturer would benefit from it, but yes, we are evaluating it.
- Shri Ram Raj:** Are Chinese competition for you on the export front?
- Sunil Jain:** Fortunately, it is coming down because people have realized that they can get better support from Indian companies, yes before the pandemic, we were competing with China in certain segments, but when it comes to technology and reliability like it is happening in many other sectors, people are giving us preference.
- Shri Ram Raj:** So that is what is giving you confidence on the export front, is there anything else that you would like to add, because I just want to get a sense of what has changed for the company overall, I

mean if you were to believe that Rajoo probably is at an inflection point, I just want to get a sense of what is happening on the macro end that we are expecting we have this confidence?

Khushboo Doshi: Good question, what has changed, probably nothing has much changed because the company's core competency, strength, and the value system will always remain same even for the future, so overall company has changed its product positioning and of course with the strong R&D and uplifting in the overall quality parameters which is enabling us to put our product in the international market and enable us to compete with the European suppliers. If we talk about change, one, we have raised our standards not on a paper but of course we have proved in the market regarding our product, so that has changed and one more thing which company would like now to adopt, earlier the approach was giving the total solution, now we have modified it. Now, apart from giving the solution, we are also taking extra care that the solution should be apt for the customer for the market, so it should be appropriate solution for the market and with that attitude we have now adopted a lot many flexibility in our offerings, so it is like a shopping mall, you have things on a shelf, you can pick whatever you like and that kind of a thing with lot of variety, so the industry now has an option to choose their technology, so it would remain always not only in the budget but also whatever the technology is available to produce certain kind of a product that can be adopted, not more and not less, so these two particular things we have changed so far if anybody would like from Management team to add.

Shri Ram Raj: The extrusion coating and lamination line that we have launched, the LAMEX part, what is the final product over there?

Khushboo Doshi: The final product you see this like Balaji Wafer pouches, you see this Lays wafer pouches, you see the detergent's pouches, you see the oil pouches, so all those flexible packaging things, the extrusion coating and lamination would be one of the process and one which another variant which we have developed for the woven sack industry, Raffia industry, that is again a non-packaging application from the same machinery.

Shri Ram Raj: The same machinery caters to the non-packaging part also?

Khushboo Doshi: Correct.

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

Neha Jain: Good Afternoon Madam and congratulations for this good set of numbers.

Khushboo Doshi: Thank you Neha.

Neha Jain: I have few questions, what is the current tax rate of the company?

Jayantilal Jhalavadia: It is 25% plus 12% plus 4% on box, that means 29.12%.

- Neha Jain:** Okay, that 12% will be?
- Jayantilal Jhalavadia:** That will be 29.12%.
- Neha Jain:** Okay, there is a sudden drop in receivable dates from 46 in FY '20 to 27 days in FY '21, along with this the working cycle has also improved, so can you please throw some light on the same?
- Jayantilal Jhalavadia:** You are talking about receivables number of days?
- Neha Jain:** Right.
- Jayantilal Jhalavadia:** Receivables are almost same as was in the last year '20, but the sales has doubled, it is from 93 crore to 152 crore, so if you calculate number of days of sales it will be drastically reduced.
- Neha Jain:** Is there any CAPEX that is incurred during the year or are we planning any future CAPEX anytime soon?
- Jayantilal Jhalavadia:** Not yet.
- Neha Jain:** Anything that is incurred during this financial year?
- Khushboo Doshi:** So far you can say the last year was no CAPEX and this year we are now working on the project for the expansion and the strong CAPEX plan would be put in the place by next quarter.
- Jayantilal Jhalavadia:** But we have to see the current situation, unless it does not improve, it is very risky to go fast, so we are waiting for stabilizing of this pandemic situation, we have infrastructure, but we are waiting for this.
- Neha Jain:** That expansion plan is roughly how long of a plan?
- Khushboo Doshi:** Plan would come itself by a quarter, we will start thinking about having something on a platform by next quarter after seeing the markets and sustainability and consideration of uncertainty around, so the plan itself would take place after the quarter.
- Moderator:** Thank you. The next question is from the line of Anuja Patel, Individual Investor. Please go ahead.
- Anuja Patel:** First of all, congratulations to the entire team for all the efforts and the great numbers, I have a question about the N95 mask making machines which we started making last year during the lockdown time, so are we still continuing with it, are we making this machine, how has been the market for this?

- Utsav Doshi:** Good Afternoon, we made that machine in 2021, we are still making it, there is a good potential market.
- Anuja Patel:** We have talked a lot about sustainability and the great numbers, I just wanted to ask you have you set any targets for the next two-three years in terms of revenue and the margins?
- Khushboo Doshi:** We aspire to grow by 12% to 15% and more focusing on bringing sustainable growth rather than such spike in the graph, so that is something which we are targeting.
- Anuja Patel:** We have lot of alliances with Kohli Industries and MEAF and others, so any such other alliances are planned for the future?
- Utsav Doshi:** We are evaluating with couple of companies and we are on talking terms, so very soon as soon as we finalize, we will let others know.
- Anuja Patel:** Also, in the balance sheet there is a land which was purchased in '17-18 for around 3 crores, are those the CAPEX plans which you spoke about so just to confirm that it is the same land?
- Khushboo Doshi:** Yeah, that is the same land which we were earlier talking about, that now we are planning to develop it, so that would be the expansion plan for the next year.
- Anuja Patel:** ROCE expectations any light you would like to shed on that?
- Khushboo Doshi:** Well, if we look at the last year ROCE and this year there is huge difference in numbers, but whatever is being achieved for this year, we are striving to sustain those final figures for the next year.
- Moderator:** Thank you. The next question is from the line of Aniket Redkar, an Individual Investor. Please go ahead.
- Aniket Redkar:** Good Afternoon everyone, first of all congratulations to everyone for the good set of numbers, I have couple of questions, my first question is basically on the financial aspect, there is sudden rise in the raw material expenses to 138% as compared to the last quarter Q4, so what is the reason?
- Jayantilal Jhalavadia:** Last year because of the pandemic position and very drastic rise in the steel price, so to some extent raw material price has increased and apart from that supply chain issues an increase in price of oil imports and freight impacted in the raw material cost, it was difficult to get even container by giving higher price, so it is increased by 3%-4% as compared to the last year, but we will keep it under control during this year.
- Khushboo Doshi:** We see stability in the overall pricing of raw material as well, but of course supply chain has affected easily and we have not any good sign as of now, but yeah it got to be okay in coming

quarters, but basically the many price rises in steel and other metals and unavailability of manpower has also resulted in price rise of raw material ultimately, so these are the various reasons.

Aniket Redkar: My second question is employee expenses as a percentage of revenue, which is decreased YOY, so have you reduced any contractual labor during this period?

Khushboo Doshi: If you look at the numbers, numbers have gone up but the percentage as compared to sales has gone down so the expenses has increased as compared to last year and there numbers of employees or manpower force has not been reduced and in fact we as a company have adopted approach of not to get rid of any of the manpower in these trying times, but our approach was to stay together and try to help each other, so there is no reduction in the manpower, but of course manpower cost in terms of percentage has gone down and in terms of numbers it has gone up by 2 crore.

Jayantilal Jhalavadia: If you see YOY it has increased little.

Aniket Redkar: Is there any cost efficiency initiative which has been taken in terms of the other expense we can see that as a percentage of revenue which has decreased YOY, so have you undertaken any cost efficiency initiative?

Khushboo Doshi: Yeah, so what happened during the first wave of lockdown when there was nothing much to do and there was a lot of uncertainty, we spent much of the time on standardization of our existing products which resulted having lower inventory. Apart from that because of the COVID, there are kind of expenses like open house expenses, exhibition expenses, traveling costs, all these costs literally removed from the P&L, so this whole thing has helped us probably for reducing it.

Aniket Redkar: I just want to know who all are the competitors for our company?

Khushboo Doshi: As I mentioned in earlier answer that basically now, we would like to position ourselves in a market to where we can compete with the European players, but if you consider the Indian players then Kabra Extrusion Technik and Windsor Machines would be the competitors.

Aniket Redkar: My last question, is there any plan to dilute our promoter holding in future?

Khushboo Doshi: Not at least for next three years for sure.

Moderator: Thank you. The next question is from the line of Sandeep Nagpal, Individual Investor. Please go ahead.

- Sandeep Nagpal:** Good Afternoon, congratulations to team Rajoo for excellent numbers and keep it up, I have a small query, in the financials in the point number 6, one of the points is there is some credit in exports which has not been accounted for, mentioned about?
- Jayantilal Jhalavadia:** Credit for export which has not been accounted for?
- Sandeep Nagpal:** Yeah, what is the impact on the bottom line?
- Khushboo Doshi:** Is there any credit which has not been accounted for the export?
- Sandeep Nagpal:** That is what I meant.
- Khushboo Doshi:** Sir, I think we need to come back to you on this.
- Jayantilal Jhalavadia:** RODTEP have not been notified till date the rate, that is why not accounted for, actually there is a change in policy MEIS and rebate of the State and Central taxes levies, they have deduct in January '21 as the rate under RoDTEP has not been notified till date, the income on the account of benefit under the new scheme has not been recognized for the quarter, so it is difficult to provide for that because the rates are not available and we have declared that in our results also. That is the income that extent our profitability might be increased which will be reflected in the next year.
- Khushboo Doshi:** Sir, the rates have not been defined and that is why it is not being accounted, but once it would be accounted of course the profitability would reduce and that effect will come in the next quarter.
- Moderator:** Thank you. The next question is from the line of Dheeraj Manwani from Finartha Research. Please go ahead.
- Dheeraj Manwani:** Just wanted to ask about like our exports are doing now, so what will be the impact on the margins, how much scope of improvement can you see in the margins?
- Sunil Jain:** Exports are always a more profitable business as compared to domestic no doubt about it and that is the strategic reason why our concentration towards exports has increased. To give an absolute figure would not be fair because it varies from machine to machine and from country to country.
- Dheeraj Manwani:** Okay, but overall, we can see improvement in the margins?
- Sunil Jain:** Yes.
- Dheeraj Manwani:** Next question what will the typical order cycle, can you give me about your cash convergence cycle also a little light on that?

- Khushboo Doshi:** For typical order cycles a lead time of machine would be five to six months and the payment terms generally we work with is always 35% to 40% advance and remaining before the dispatch. In some of the case in export order, we do work with LC, so that is how it works.
- Dheeraj Manwani:** What is the kind of order book which we have and what we are targeting by this year end?
- Utsav Doshi:** We have good order booking; we are booked up to another five to six months and we hope it will continue the same way.
- Dheeraj Manwani:** I was asking about what is the maximum revenue we can achieve by the current capacity?
- Utsav Doshi:** Maximum like we can go up to nearly 200-225 Crores top line, we have as of now, so we are utilizing nearly 65% to 70% of it.
- Dheeraj Manwani:** Okay, and we can go up to 95%-100%
- Utsav Doshi:** I believe it is better to utilize up to 80% to 85%.
- Dheeraj Manwani:** One last question, how much time it takes us to pass on the prices, the prices which are increasing of the metals which we are seeing?
- Sunil Jain:** I am not allowed to ask you a question, but I would say how much time it takes to increase the price, so the point is that it is not easy to get an increase in price and in our industry once you have increased the price, people do not ask for the decrease in price, so the prices keep going up they never come down.
- Jayantilal Jhalavadia:** But since last one year we have not increased the price.
- Dheeraj Manwani:** I was just trying to understand because prices are increasing very fast nowadays?
- Khushboo Doshi:** Prices are increasing and this is the kind of thing which we are also witnessing for the first time to be very honest with you, so when we talk about the product pricing, of course there was a time when we were not looking at the product pricing even for a year and now today we are in a situation where we have to look at the pricing, keep on looking at it every quarter and to answer your question that we pass on this thing, but it is a very tough task because in capital goods the order cycle is so long. Today, if we are talking about the product probably order will be concluded after six months, eight months or a year down the line, so that is how we started keeping even the cushioning for us which will really help us even if the prices gets horrible in the future, we should have some kind of a war chest or cushioning in that, so that is how we are considering it, so every quarter we try to see the pricing and give that changes and try to implement it, but it is very difficult in a capital goods to implement it with ease, so that is the fact.

- Dheeraj Manwani:** How you see about the cash flow from operations level this year?
- Jayantilal Jhalavadia:** Cash flow because our policy is just to take orders on advance, 30% advance and remaining before dispatch and the order book position is very healthy this year, so we do not have any problem in maintaining cash flow, we have sufficient surplus to service our suppliers and all the expenses.
- Dheeraj Manwani:** I am just trying to understand the cash flow from operations, what kind of numbers we are looking, last year what was the cash flow from operations?
- Jayantilal Jhalavadia:** Cash flow that is profitability that is the cash flow, we have not increased any supplier, receivables.
- Dheeraj Manwani:** I was asking what was the cash flow from operations, which we are adjusting for working capital?
- Sunil Jain:** If you would have noticed our overall finance cost has gone down dramatically, which means the cash flow has improved drastically and as Mr. Jhalavadia mentioned, it is primarily due to good order booking with advances coming in and then our operations really striving their best to deliver the machines in time, so that the payment will be realized very quickly because we do not sell on credit at all.
- Jayantilal Jhalavadia:** Presently, we are not utilizing any bank facility for finance also.
- Dheeraj Manwani:** Basically, what we consider as a cash flow exactly is whatever the net profit you are getting and the depreciation, so that is how we see as a exact cash flow in the company.
- Jayantilal Jhalavadia:** The entire profit is ploughed back in the company.
- Dheeraj Manwani:** I got it, so it is like whatever the net profit plus depreciation, it must be around 13-14 crores if I am not wrong?
- Khushboo Doshi:** Correct.
- Jayantilal Jhalavadia:** increased by that amount.
- Moderator:** Thank you. Ladies and Gentlemen, as this was the last question for today, I would now like to hand the conference over to Mrs. Khushboo Chandrakant Doshi for closing comments.
- Khushboo Doshi:** I would like to take this opportunity to thank each member of Rajoo Engineers family and I would like to thank our clients, creditors, banks, financial institutes and other stakeholders. For any further queries or information, please get in touch with our investor team, Bridge IR, and thank you for the opportunity.

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