

Rajoo Engineers Limited

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RAJOO[®]
excellence in extrusion

REF: BSE/ Call Transcript/Q1/2021-22

14th August, 2021

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

ATTN: - The Department of Corporate Services

SUB: OUTCOME OF TRANSCRIPT ON MEETING WITH THE ANALYSTS/ INVESTORS CONFERENCE CALL UNDER REGULATION 30 OF SEBI (LISTING OBLIGATIONS AND DISCLOSURES REQUIREMENTS) REGULATIONS, 2015.

Dear Sir/ Madam,

This is to inform you that pursuant to Regulation 30 of SEBI LODR Regulations, 2015, and with reference to our stock exchange intimation dated August 5, 2021 towards Analyst/ Investors Conference Call, we are enclosing for your record a copy of the transcript of the said conference call conducted by the company on August 10, 2021.

You are requested to kindly take the same on record and acknowledge the receipt of the same.

Thanking you,

For, RAJOO ENGINEERS LIMITED

(Darshak Thaker)
(Company Secretary & Compliance Officer)
(M.N: A46919)
Encl: a/a





“Rajoo Engineers Limited Q1 FY-22 Earnings Conference Call”

August 10, 2021



**MANAGEMENT: MRS. KHUSHBOO CHANDRAKANT DOSHI – MANAGING
DIRECTOR.
MR. UTSAV KISHOR DOSHI – JOINT MANAGING
DIRECTOR.
MR. SUNIL JAIN – EXECUTIVE DIRECTOR.
MR. JAYANTILAL JHALAVADIA – CHIEF FINANCIAL
OFFICER.
MR. PRAKASH DAGA – VICE PRESIDENT (FINANCE.)**

Moderator: Ladies and gentlemen, good day and welcome to the Rajoo Engineers Limited Q1 FY22 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 the conference call, please signal an operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mrs. Khushboo Chandrakant Doshi, Managing Director, Rajoo Engineers Limited. Thank you and over to you ma’am.

Khushboo C Doshi: Thank you. Good morning, everyone and welcome to Rajoo Engineers Limited Earnings Conference Call for the First Quarter ended 30th June 21. I have with me Mr. Utsav Kishore Doshi – Joint Managing Director, Mr. Sunil Jain – Executive Director, Mr. Jayantilal Jhalavadia – Chief Financial Officer and Mr. Prakash Daga – Vice President (Finance) along with Bridge IR Investor Relations team.

We have shared our results updated presentation and I hope you all must have received it and gone through the same. Before we get into the business and financial performance over the quarter, I would like to share a brief insight about the company. We have come a long way since inception and cross several milestones over the recent past. Today, we have emerged as one of the leading plastic extrusion machinery manufacturers in India, with nearly 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 a blown film line, extrusion line, thermoforms and extrusion coating and lamination lines. Owing to our focused efforts, the company enjoyed a premium market position in the segment. In-line with the strategy, we continue to expand our global footprint with focus on market penetration and sustained investment in research and development to support the progress.

Being a technology driven company, product innovation, world class quality, state of the art workmanship, energy efficient, high level of sophistication and automation have become the hallmark of Rajoo products during all this years, and 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 plus countries, our exports have multiplied since debuting in the international market in 1990. Our brand reliability and position in the global market is further strengthened through a number of strong alliances in the industry, such as Kohli Industries from India, MEAF Machines Building from Netherland, Bausano & Figli from Italy and Wonderpack.

It is an industry practice to build the machine with the plant specifications to garner competitive advantage. However, at Rajoo we have always been pioneer of change and innovation by identifying just the right technologies and its mix to add value to clients business. We are being appreciated by loyalty and the business of the appropriate technology approach to consistently help customers business with customized solution rather than following a traditional approach.

I would now like to take you through some of the recent developments of our company and industry by large.

As we all are aware the second wave of COVID-19 pandemic continues to adversely affect our lives and industry. A fairly large part of the first quarter was spent in lockdown to curb the second wave. Even as a vaccination drive continued throughout the nation. The first quarter is seasonally lower for our sector. And top of that it was further impacted due to COVID-19. Sharp rise in raw material prices and transportation cost during the quarter did not allow any scope of price escalation because of order executed during the first quarter were mostly ordered booked before March 21st. The month of April, May were severely impacted both for sales and the supply chain point of view, since the several parts of the countries were under localized lockdown.

Consequently, operations have resumed to full capacity as the restriction were eased in a staggered manner by the authorities. However, as we have demonstrated during the previous year, even in such trying time Rajoo has a strong and steady order book that enabled a not to only sustain but also grow ourselves in this challenging time during the first quarter. On an exciting note, in July 21, Rajoo Engineers and Kohli Industries organized a virtual Open House of recently executed out product Lamex 360 coating and lamination extrusion. It being live streamed from the floor of our customer who is based in Rajkot, Balaji Multi Flex. This event was witnessed by more than 500 participants from India as well as abroad. The machine achieved a maximum speed of 360 meters per minute during the Open House, while the name plate capacity was 350 meters per minute. A result of an unbeatable combination of the technology and engineering.

Now, coming to our financial performance, in the quarter ended 30th June 21, our company achieved a net revenue of 32.9 crore growing 34.7% year-on-year. Growth was driven by increase in demand from the flexible packaging industry. Company has a strong order book that enabled us to not only sustain but also to grow ourselves in this trying time during the first quarter. However, as well, we all are aware that metal price, logistics rates have increased significantly during the quarter. The EBITDA stood at 2.01 crore in FY22 against 2.93 crore in our previous comprehensive period, declining 31% Y-o-Y mainly on account of a raw material prices which increased substantially over the last two quarters, especially in steel, steel products and polymer along with the logistics expenses. Profit after tax has remained 1.06 crore and basic EPS stood at 0.17 for FY21-22 quarter one. So, this is from my side. Thank you very much. And we shall now take the questions.

Moderator:

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

- R.K. Laddha:** I just want to ask a couple of questions. My first question is ma'am this poly packaging industry is doing very well like Polyflex or Cosmo Films or others, are our industry can be termed as ancillary to this?
- Khushboo C Doshi:** Okay to give you a brief explanation, I request Mr. Jain to come in. Mr. Jain.
- Sunil Jain:** Good morning Khushboo. Good morning sir, it is complementary, companies like Cosmo, Polyflex, Uflex Films division, it is complementary to our business. If you pick up any packaging material, there would be a heat sealant layer which is polythene and a barrier film which is printed like polyester or BOPP being sold by Cosmo. So, we make machines to manufacture the heat sealant layer which is the polythene. So, it is a complementary industry.
- R.K. Laddha:** Okay, thank you. And my next query is, what is our current order book position sir?
- Sunil Jain:** Khushboo can you take that?
- Khushboo C Doshi:** Sir, we have a pending order of approximately 100 plus crore order book and it's likely to be maintained at the same level for the next two quarters. We are seeing the positive signs and probably we will be able to register the same growth as this quarter.
- R.K. Laddha:** Ma'am sorry, I can't hear, can you give in figures and how much order are we having in hand?
- Khushboo C Doshi:** Sir we are having 100 plus crores order book as of today.
- R.K. Laddha:** Okay and madam which percent or what percent of it is on firm prices which do not allow us to redeem, raw material price escalation?
- Khushboo C Doshi:** Sir the product line which we are into does not anyway allow the recovery after once the order has been booked, but many of the orders are with the new prices. So, the overall risk is well mitigated.
- Moderator:** Thank you. The next question is from the line of Neha Doshi, an Individual Investor. Please go ahead.
- Neha Doshi:** So, this question is based on the financial part. So, we see that raw material prices have steeply increase in this quarter for about 40%, 41% which has led to gross margin reductions. So, what is led to such increase in raw materials?
- Khushboo C Doshi:** Ma'am you have to repeat because there is some background noise, if it was not audible. Did anyone hear that properly, Mr. Jain?
- Sunil Jain:** No, the first part of it was slightly blurred. So, you can request Ms. Doshi to please repeat the question.

- Neha Doshi:** Yes, sure. Are we saying that raw material prices have increased in the quarter by about 40%, 41% as compared to last year this quarter, which has led to reduction in the gross margins, so what has led to increase in raw material expenses?
- Khushboo C Doshi:** What is the expected increase in raw material prices, is that the question?
- Neha Doshi:** No, I'm saying that the raw material prices in this quarter is already increased by 40% roughly, so what has led to this increase in the prices, have the raw material prices increased overall?
- Khushboo C Doshi:** Okay, Mr. Jain, would you take that?
- Sunil Jain:** Yes, request Prakash Daga, who is our Vice President Finance to take that.
- Prakash Daga:** Yes, good morning everyone Prakash here.
- Sunil Jain:** Good morning, can you take that please?
- Prakash Daga:** Yes, please. The question is, the raw material prices have increased by 40% during the quarter as compared to corresponding previous quarter, wherein the company's total raw material cost has increased hardly by 7% as compared to the corresponding previous quarter, and definitely it had some impact on our margins. Because steel, steel products and polymers are our basic raw materials and the prices of these materials have increased. Our product being capital goods and the lead time of the order is normally four to six months in our case, so whatever prices have increased, we could not be able to pass on to the customers for majority of the orders executed during this first quarter So, definitely this impacted gross margins during this quarter.
- Neha Doshi:** Okay. So, my next question is, does demand in packaging industry has increased over a period of time. So, how do we anticipate this demand to be in the near future?
- Khushboo C Doshi:** Mr. Jain this is for you.
- Sunil Jain:** Okay, let me comment. We expect the demand to still continue at the same level, because people have got into the habit. Good for us, they have got into the habit of buying packaged foods, people have got into the habit of ordering through e-commerce portals, which also requires packaging material. So, we don't foresee any downfall in the demand for flexible packaging materials. Does that answer your question please?
- Neha Doshi:** Yes, it does thank you. So, next question, we go to the new product development. So, we have this new product like Lamex. So, are there any other new products that we are under development and for those products are we going to be tapping new geographies in the country as well as for export?

Khushboo C Doshi: Okay, as Mr. Daga said, we are in capital goods. So, new product development happens, entirely new product if it is then probably is a one in a year. This is something from our side, which is now, it's there in the market. And when we really say that the development got over when we have the validation from the market, it's considering the technological aspect and the commercial aspect of it. So, when we talk about this Lamex, it has been introduced in 2018. And now we have 10 plus such machines running commercially in the market. So, now we are at the stage that the product development and the enhancement has reached at a level but we continue to develop further. As far as completely new product, we are not seeing much of an opportunity. And we feel that the flexible packaging market is growing currently at a very good rate. And we would like to focus on the same. So, this is something from my side.

Sunil Jain: Let me add to what Khushboo had just mentioned, Lamex is a series of machines, but it has various applications. So, till now what Khushboo was talking about our Lamex series, primarily targeting the flexible packaging market. But there are other markets, for example the Raffia industry and the woven sack industry. So, we have recently introduced machine for the woven sack industry, that's an industry where we were not there at all. So, same series, but it's a new product for a new market. So, that is a market which is Raffia industry as everyone knows is growing by leaps and bounds. So, we thought is a good opportunity to adapt our extrusion coating and laminating machine for the Raffia industry. That's answer to the first question. Second question in terms of the markets which we are looking at, Yes we are expanding our footprint in markets in Latin America, where we were there before, but we are back there again. We are also looking at markets in the CIS countries, and also Eastern Europe. Hope that answers your question.

Neha Doshi: Yes, it does. And just one more question sir. So, in the near future, then do we expect any technical collaboration in case we plan to develop any new products?

Sunil Jain: This is the continuous and a constant process, Khushboo go on.

Khushboo C Doshi: No, it's okay, you can take it.

Sunil Jain: It's a constant process we keep looking at opportunities and let me assure everyone if there is an opportunity in the horizon, we won't miss it.

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

Rohan Mehta: I just had a few questions as you already spoke about raw material prices, that why they went up and all. So, just wanted to ask if this is to be expected in the next one or two quarters also and if so, if the existing orders are fixed at a price, would we be incorporating potential price hike in the new orders that we come to compensate for the increase in raw material prices in the coming quarter?

- Khushboo C Doshi:** Yes, Utsav can you take this?
- Utsav Kishor Doshi:** Yes, repeat the question, hi good morning.
- Rohan Mehta:** So, my question basically was, as we were speaking about raw material prices having gone up and because orders were already booked at previous prices. So, is that something that we will maybe put into a strategy in the next quarter or the quarter after that whether there'll be any price increase to compensate for this raw material price?
- Utsav Kishor Doshi:** Yes, so answer to your question is, we did increase our machine index price, the base price of the machine, as well as we are also changing purchase strategy, which we are doing in a different way now that we used to do it early on. So, we are doing in a mass procurement and we are doing many other initiatives within the company, which will surely help us to reduce our cost by 1.5% to 2% in coming days.
- Rohan Mehta:** Okay. Sir also, operating costs have also seemed to have gone up a little faster than the revenue. So, if you could just shed some light on that as well, where those costs are coming in from. And if there's anything that we can do, we are doing to compensate for that in the next one or two quarters?
- Khushboo C Doshi:** So, mainly operating cost has gone up because of the logistics and raw material thing, and as Utsav rightly mentioned, the compensation of that probably in a quarter we wouldn't be able to maintain the last quarter, last-to-last quarter thing. So, as Utsav mentioned that all the prices of the product now has been passed on to the user, envisaged cost is being considered for next two quarter as well, because we still to answer your first question as well that we are still seeing and expecting some of the price rise in some of the category. So, we feel that overall market stability in terms of polymer pricing, and the metal pricing and other electronics pricing may take another two quarter and we have to mitigate that risk. So, the prices has been already passed on and so the next quarter and so forth, whatever the orders will be executed 50% of those orders again would be at a new prices. So, that's how we are going to cover.
- Rohan Mehta:** Okay, that's great. So, maybe by around half a year or nine months, we can see that as Mr. Jain also mentioned, there is likely to be a similar trend in terms of demand. So, top line wise, we can expect similar growth. And if these expenses are even partially compensated margin levels will also see improvement?
- Khushboo C Doshi:** Yes.
- Rohan Mehta:** Okay, ma'am just a couple of more things I wanted to ask, in terms of our exports, what percentage would revenue be coming from exports and what kind of regions like we mentioned earlier that Latin America is one of the new target regions, what would be the top export markets and in terms of percent also, how much revenue are we getting from export please?

- Khushboo C Doshi:** Mr. Jain, would you take that please?
- Sunil Jain:** Yes, sure. Good morning, again Mr. Rohan. In the last financial year our exports contributed to close to 49% of our top line. And in the first quarter of this year is about 40% we could have done better but we got stuck because of availability of containers. So, we do expect to maintain the same ratio close to 45% to 50% of the turnover, and the main markets were Nigeria, Vietnam, Thailand, Ghana, these are the countries which were the major markets. And now we also are executing some orders for Turkey. But as I mentioned before, we are trying to penetrate in other markets which are known very well to us, the Latin American market, the CIS market, Eastern Europe, these are the three segments which we are planning to penetrate in this year and the coming years.
- Rohan Mehta:** Okay, got it sir. Sir, who would be our major customers in terms of bulk of our sales whether in India or abroad?
- Sunil Jain:** First question is, the machines are never sold in bulk.
- Rohan Mehta:** No, I meant, who would account the majority if there's any one or two customer who have accounting for a fair bit of our revenue or if it's fairly evenly distributed across all our customers?
- Sunil Jain:** Because the level of processors in this country is very, very vast. You have small industries, you have medium, you have large, if we talk about the large industry, our biggest customer last year was the multinational Constantia. Constantia is the third largest in the world in flexible packaging. So, it's a mix of small players and big players. We give you another example, we picked up another product called for manufacture of tarpaulin and there's one company, relatively unknown company which bought close to 10 machines from us. And this does happen year-after-year and that is because the demand in the basic industry is growing and in India, plastic processors, the size is very, very diverse. So, even the customer profile is highly diverse.
- Rohan Mehta:** Sir, just lastly in the export markets where we are selling, do we have any local competition in those countries, are companies making similar machines that we may be competing with over there through a localized?
- Sunil Jain:** The countries which I mentioned to you except Latin America, yes there is a manufacturer in in Brazil, but other countries like Ghana, Nigeria, or even Vietnam, there are no local manufacturer machines. But it would be wrong to say that we do not face competition, because it's a global market today. We have competition from everywhere. They're coming in from Europe or coming from China or even from the U.S. Does that answer your question.
- Rohan Mehta:** Yes, absolutely sir. Just related to this only, is our local like, India based competitors also are competitors in our export markets or that's not the case?
- Sunil Jain:** Definitely they are.

- Rohan Mehta:** Okay, understood sir. Just lastly, this quarter I know balance sheets are not published in Q1. But in terms of our working capital, is there been any change in terms of the cycle over the last since 31st March?
- Khushboo C Doshi:** Jayanti sir, can you take this please?
- Rohan Mehta:** My question was, if you can just share some light into the working capital cycle compared to 31st March?
- Jayantilal Jhalavadia:** See the working capital cycle more or less it has remained at the same level, and nothing has much changed. The inventory at present is almost 200 days. And debtors are somewhere around 20 days, creditors also two to three months are there. Hence more or less the same working capital cycle and not much changes in this quarter.
- Rohan Mehta:** So, in terms of working capital requirement, need for short term debt is similar?
- Jayantilal Jhalavadia:** As on date there is no short term debt, I would say because the company is having ample liquidity in terms of advances against order. So, practically we're not using any short term facilities at present.
- Rohan Mehta:** Yes, that is what I figured because our finance cost had also reduced this quarter.
- Jayantilal Jhalavadia:** Yes.
- Moderator:** Thank you. The next question is from the line of Mr. Gala from MB Gala and Company, Please go ahead.
- Gala:** There are a couple of questions. What, I've noticed from the figures that has been announced, there is an 13% to 15% increase in the raw material cost, there is an equally increase in the HR cost also around say 18% to 20% of course that has been mitigated by the fair enough in the reduction of the interest cost around 40% from the previous year quarters. And as already answered in some of the questions, that there is an increase in the sales now that has been booked up from the current quarters onwards around 1% to 2% in the sale price. May I know why there is an increase in the HR cost and what management is forcing for that at the same time when there is in sales pricing increase by 1% or 2% will it mitigate the increase in the cost levels that has been seen in this quarter. And my second question is, what about, is there any since the demand is very good, is there any plan for an expansion this year and what is the forecast that the management is looking for this whole year. These are the two questions just you can take up sir?
- Khushboo C Doshi:** Okay, thank you very much. So, because of the pandemic situation last year, there was an attendance issue and which was restored in third quarter of FY21. So, moreover, to keep the employees motivated in this difficult time, the company gave the healthy annual increment in

July 20. So, therefore, the employee cost has increased against the last corresponding quarter and after this, the second wave as a gesture of goodwill and being socially responsible, the company's paid 21 lakhs to the families of deceased employees and employees' affected due to COVID. So, this two parameters has contributed into rise of overall employee cost. Your second question was that, do we see any since the rising demand of the product, do we have any expansion plan. So, in 21, we were nearly operated capacity of 60% to 65%. And now we are operating probably a 70% to 75% of the capacity. So, we feel that for this year, there should not be any further expansion as far as the infrastructure is concerned. And we would be whatever investment levels would be there it would be more on a research and development on the product enhancement. So, as far as infrastructure is concerned, we would not be expanding for a year one, I mean this year.

Gala: Madam, I just wanted to know about whether this will mitigate the sales price which has been explained by your team members about that there is an increase in the 1% or 2% in the, now the shortage, will it mitigate the cost increment of raw material and the HR cost basically which have been increased by 15% to 20% roughly?

Khushboo C Doshi: Right. So, this is the same question and I mentioned in my answer to Mr. Rohan as well, that the revised price is also being considered after envisaging the future increased cost for next two quarters at least. So, yes, to answer your question it will mitigate and we are also expecting sales to grow further at the same rate which also helps us to finally it will mitigate the raw material prices and the employee cost.

Gala: The RM cost because basically, Mr. Jain has explained there is an inventory of 200 days. So, if it is 200 days, it is almost in six months and when we take an order six months in advance, our raw materials which are on hand should be taken care of this RM cost which is increased by 13% to 15% roughly. So, is it not that, we haven't a very good policy on discount that when there is an enough of raw material of 200 days, which we are maintaining. So, the cost coverage, which has been there or rather increasing the cost which has been shown in the results should have been taken care of when we booked the orders, I see that there is something which I am failed to understand between these two lines. So, if you can say something on this?

Khushboo C Doshi: Mr. Daga, would you like to comment on this?

Prakash Daga: Yes. So, as we mentioned, we are maintaining inventory of almost 200 days and that is required just because the delivery time of our orders is almost four to six months. it takes care of the raw material costs component of the orders on hand and whatever new orders we are taking, back-to-back raw material also we are securing. As Khushboo madam rightly mentioned, under our strategy of increasing the order price, we're considering next two quarters raw material movement and that will definitely mitigate the fluctuations what are expected in near future in the raw material prices.

Gala: Yes, that is what I have shown my concern about that, when we are maintaining the inventory the RM cost which has been increased by almost 15% this quarter that between these two lines, I was not able to reconcile.

Khushboo C Doshi: Probably this would answer your question. So, when we say that we are manufacturer of blown film lines and the sheet extrusion each machines are being produced as per the customer's requirement. So, you can say that 50% is the standard bill of material and then there is some variation for each product as per the requirement. So, that is why the inventory cost goes up because when you say that you have certain inventories, it is not for the one kind of a product, but yes, it's considering the entire product portfolio and since there is a lot of customization in the product, we also have to maintain the inventory for the customer support. So, this is what it is.

Gala: Yes, but the second question, madam you answered me about the expansion. I just wanted to know about the management's projection for the year?

Khushboo C Doshi: In terms of revenue we are targeting around 15% growth as compared to the last year.

Sunil Jain: Let me just come in and I also add to what Khushboo mentioned, being in the capital goods industry we need to keep stock of some old machines as well, parts for some old machines, which also counts in the inventory. Even if someone comes to us with a machine which we have sold 8 to 10 years back, still we will be able to turn around and support him so that his machine is not down. So, all these raw material inventory is not necessarily for the orders which are on hand. They also cover the warranty provisions which we are committed to support to our customers.

Moderator: Thank you. The next question is from the line of Rahul Shah, an Individual Investor. Please go ahead.

Rahul Shah: So, taking kind of follow up from the earlier few questions. In terms of the top line, can we be a little more clear as to how the quarterly top line pans out in first quarter, second, third and fourth quarter, this is in because our last quarter which is fourth quarter, we did reasonably well, as related to the prior quarters and in Q1 now we see a kind of different scenario, not in terms of top line as it is, but in terms of the overall P&L. So, can you please help us explain how do we model these without volatilities into Excel?

Khushboo C Doshi: Okay, so Mr. Jain can you take this please, it's not volatility, but yes, let Mr. Jain explain.

Sunil Jain: Let me comment. See what happens is, in the last quarter of the financial year, as always historically the top line the sales will be higher, because people want machines and quick delivery, because they want to claim the depreciation. So, in our industry, all the four quarters would never be of the same level, if you pick up even a 15- or 20-year-old history, the first

quarter is always on slightly low uptake and last quarter is always the maximum, that is nature of the industry.

Rahul Shah: Fair enough sir, that is what our understanding would be. But then the raw material prices have been rising for quite some time now. And if I'm not mistaken, then even the fourth quarter was fell under this rising raw material prices scenario. So, how do we then understand that aspect, vis-à-vis the performance of the fourth quarter, in that rising raw material prices scenario?

Sunil Jain: See, there are two things to it, one is people are claiming a price increase, but when that price becomes effective is also important. So, as Utsav also mentioned, we keep negotiating with our raw material suppliers, we also try to increase our orders by bulk order buying when the prices are not yet increased. So, we've managed to do it in the last quarter, but then the price increase in terms of, had to be given and that is what is getting reflected now. Does that partly answer your question?

Rahul Shah: So, if my understanding is correct, the past through from the buyers to the suppliers, which is we in this case, we will see the realizations moving higher from here for some time now?

Sunil Jain: Definitely, that's what was explained earlier. And in the capital goods industry it's not easy unlike the commodities to get a price increase, but the industry has now accepted the inevitable and we are getting orders on revised prices which incorporates the raw material price increase and as Khushboo had mentioned, to mitigate further raw material prices, that is also being considered.

Rahul Shah: Sir, then that brings me to the next round of questions, in terms of product innovation. Are we still in, we have seen a fairly long bulk period as far as capital goods industry is concerned on from the demand side, because probably there have been no significant kind of CAPEXs which has happened in the recent past, but they have probably started from the recent past. So, can you explain how do we see this demand scenario panning out, are we still in a push kind of an environment or there is some cool effect being created for our products?

Sunil Jain: I would say that there is a lot of good effect also on our products, because of the nature of the flexible packaging industry, and please also understand for example, if I have a lathe machine, lathe machine is very versatile, it can do many things on it. So, we keep changing some parts in the equipment so that it turns into a development. So, it necessarily does not mean that if I have to get into a new product, then CAPEX is definitely required.

Rahul Shah: Okay, fair enough. So, this is from the buyer side is what we are talking about, from our side we being the suppliers for them for the machinery. How does the innovation play out, because we've seen in the reel itself, that there is one new product which we have launched, it's in collaboration with Kohli Industries, so how do we see this innovation supporting us in terms of top line, catering to the demand, and in terms of the margins?

Sunil Jain: Okay. Any new product needs a push strategy, not necessarily a pull strategy in the initial years. So, that is what we are following, we are promoting this and that's the reason why we had this virtual Open House to tell the industry nearly 500 people from all over the world. And that is basically a push strategy to let people know that this is a new product, which we have made in competition with machines coming in from Europe or from Far East. And we are very aggressively promoting that particular product. And that product was more to do with snacks and food packaging. And as I mentioned, a couple of minutes back, the same product in a, with the variant of the same product is also used in the Raffia Industry. So, that's again, a push strategy in the sense we were not very active in the Raffia Industry, we did not have enough products for that. But seeing up the potential of the Raffia Industry, we made this variant to cater to that industry. So, in certain products, there is a pull, when we talk about don't sell products, but when we talk about new products like the extrusion coating and laminating line, there is a push strategy.

Rahul Shah: Fair enough sir and very well explained. So, all these questions primarily have been to understand how would our margins pan out, so probably correct me if I'm wrong sir. But what my understanding is that, in terms of EBITDA margins, probably we are not reflecting the kind of structure that we are in. So, and probably again, we do have a lot of potential to grow in that area as well. So, can you throw some light as to how our margins will pan out in this year and probably in next couple of years?

Sunil Jain: Okay, if I have understood it correctly, otherwise Khushboo and Prakash can come in. in any industry, the objective is to increase the EBITDA margin, right. So, EBITDA margin can be increased either by better buying which is in your control, you have no control over the increase in prices of raw materials and the second way of increasing EBITDA margin is to look for markets and segments where you can have a better realization. So, our view would be to focus more on exports, from where the EBITDA margins can be higher. So, that overall the EBITDA margin is.

Khushboo C Doshi: So, if I can just add in, summarize in a one line strategy is how to improve the EBITDA margin is only putting efforts in research and development for the existing product enhancement, and taking a product at a global level, where we are in some last one, one and a half years we are in a position now to compete with the European suppliers that's including Italy, Germany, and even in the American market, so machines coming from there to India. Now, we are well positioned to compete with them for the Indian market, and that's where the margin gets improved. And with the same machines we are now able to compete with those global competitors at a world level. So, that is what we are targeting. So, basically, Mr. Jain mentioned that the export contributes to 49%, but the target is and is to really reach at a 60%, 65% which can improve the EBITDA margin. Does that answer your question.

Rahul Shah: So, if I understand correctly, so you have a two pronged strategy when you want to increase the export percentage as well as replace the imports happening in India with our own products, so that the both ways our EBITDA margins can get impacted positively, is that right?

Sunil Jain: Absolutely correct. And the virtual Open House, which we talked about in July was primarily that kind of machine was an import substitution product.

Rahul Shah: So, sir can I continue for a couple of more questions, this is basically to understand how do we see ourselves in future. So, in that case then sir have we kind of studied this market as to how big this market that we are facing to, what is our locus standing in this market and in terms of our strength and have we put any numbers to defend our strategy?

Sunil Jain: See, if you are talking about market shares, see we are in different segments, if we talk about blown films today.

Khushboo C Doshi: Mr. Jain can I address this?

Sunil Jain: Yes, please.

Khushboo C Doshi: Sir, if you talk about the market, let's talk about the domestic market. So, if we if consider the year and back, there are three major players in the industry and if you talk about the market share considering the number of market, a year back we were at a third largest and this year, we are second largest in terms of number of machines, and probably the highest in number of installed capacity, because comparing other two players in the market our machines are more productive. And so the plasticizing capacities is more so, in terms of plasticizing capacity in the installed one, we are having the highest market share, and in terms of number of machines in the market, we can say we are second highest in the market as far as domestic market is concerned. Now, if we see the global scenario, which we have considered well, and we are targeting to have the 10% of those markets which is now being catered by the European and German suppliers. So, that is what the target for our next three years that currently we are just a peanut, as far as the international market is concerned, though we have a supply in 70 plus countries, but now we are targeting to compete with the global suppliers. And we have successfully done that in the last couple of years, which is now improving not only the exports, but also the high value product in the export market.

Rahul Shah: I'm really sorry, but we market people have a kind of lack to understand the scalability factor. So, probably that is what I'm trying to understand. Just another question in terms of working capital scenario, how do we see ourselves, are we comfortable enough or there is scope for improvement and if it is, then how do we plan to take that forward?

Khushboo C Doshi: Mr. Daga, can you please comment?

- Prakash Daga:** Yes. If we talk about the working capital situation at present, we are at a very much comfortable situation because we have a policy of collecting at least 30% advance against the new order and that serves our purpose. Apart from this, the Company has been sanctioned sufficient credit facilities by the bank, which we are not using at all at present. I would say there is a very healthy liquidity position with the company as on date. So, for coming quarters at least we are not foreseeing any difficulties in working capital. We are at very comfortable level as far as working capital is concerned..
- Rahul Shah:** Thank you. Just one last, if you can give a number or arranged for this year's EBITDA margins that you have targeted and the profitability margins probably or growth?
- Khushboo C Doshi:** So, can you repeat it, please?
- Rahul Shah:** So, one last, kind of a closing number from the team as to where do we see this year ending in terms of top line margins and bottom line, can you give us a range?
- Khushboo C Doshi:** Yes, so top line as I mentioned earlier, it would be 12% to 15% growth and EBITDA margin we are expecting to have the growth of around 8% to 9%.
- Moderator:** Thank you. The next question is from the line of Neha Doshi, an Individual Investor. Please go ahead.
- Neha Doshi:** Ma'am, I just have a couple of more questions that I wanted to address. So, one is, in regards to the land that we've purchased in 2018. So, what is the update and when do we plan to start the production in that land?
- Khushboo C Doshi:** Ma'am, it is has now been converted into the nonagricultural land and it is now under the process of finalizing the layout and everything. So, the project report is being considered and we see that probably in our next financial year, we will be coming with development plan on that land.
- Neha Doshi:** Okay. And my last question is regarding the impact of COVID that the company might have faced and any labor related issues in the factory, like any stoppage in work because of labor related issues?
- Khushboo C Doshi:** Well, we cannot say those are the issues, but due to COVID there was a lot of attendance issues, even in quarter beginning in April due to the second wave, but otherwise apart from the health issues, there were no other issues. And due to health of course we have seen unavailability of the manpower in first two months of the quarter.
- Neha Doshi:** So, has that impacted like our sales or delayed our sales by a couple of months?
- Khushboo C Doshi:** It is impacted but it is not impacted only because of the labor, see because of the second lockdown, everything was hampered. So, the supply was not coming for the raw material, and

the customer was not ready to lift the machine on time. And of course, the labor was not there to produce the machine on time. So, result of everything, it's final it has suffered as far as the delivery of the machine was concerned, but not only because of the labor.

Moderator: Thank you. Ladies and gentlemen, this was the last question for today. I would now like to hand the conference over to Mrs. Khushboo C Doshi, Managing Director, Rajoo Engineers Limited for closing comments.

Khushboo C Doshi: So, I would like to thank you, all of you for taking the time out attending this call. And, I'm also thankful to each member of our Rajoo Engineers family as well as our clients, creditors, bankers, financial institutions and all our stakeholders. Some of you may have some more queries as well and if we are not able to respond as per the satisfaction, to remain very transparent, I would like to tell the desire the kind of exposure we are now learning and taking it. So, your questions have also got us to a deep thinking about the business and we are learning it. So, keep motivating us, keep asking us questions and this is a very good experience. So, thank you very much, for any further queries and information please get in touch with our Investor Relations team. Thank you very much.

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.