

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

November 09, 2023

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

Sub: Submission of Transcript of the Investor Earning Call dated November 06, 2023 on un-audited Financial Results for the second quarter and half year ended September 30, 2023.

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

Dear Sir/Madam,

With reference to the captioned subject and pursuant to the provisions of Regulation 30 and 46(2)(ao) of SEBI Listing Regulations, please find enclosed herewith the Transcript of the Company's Investor Earning conference call held on November 06, 2023 on the un-audited financial results for second quarter and half - year ended on September 30, 2023 .

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

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

Thanking you.

Yours faithfully,

For Rajoo Engineers Limited

Khushboo C. Doshi
Managing Director
(DIN: 00025581)

Encl: a/a



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“Rajoo Engineers Limited Q2 FY24 Earnings Conference Call”

November 6, 2023



**MANAGEMENT: MRS. KHUSHBOO CHANDRAKANT DOSHI – MANAGING
DIRECTOR, RAJOO ENGINEERS LIMITED
MR. UTSAV DOSHI – JOINT MANAGING DIRECTOR,
RAJOO ENGINEERS LIMITED
MR. SUNIL JAIN – EXECUTIVE DIRECTOR, RAJOO
ENGINEERS LIMITED
MR. PRAKASH DAGA – CFO, RAJOO ENGINEERS
LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to Rajoo Engineers Limited Q2 and H1 FY24 Earnings Conference Call.

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

I now hand the conference over to Ms. Khushboo Chandrakant Doshi from Rajoo Engineers Limited. Thank you and over to you, ma'am.

Khushboo C. Doshi: Thank you. Good afternoon, everyone. I would like to wish you all a very warm welcome to Rajoo Engineers Limited Earning Conference Call for the 2nd Quarter and Half Yearly Ended 30th September 2023. Thank you all for taking the time to join us today.

With me today, I have Mr. Utsav Doshi – our Joint Managing Director, Mr. Sunil Jain – our Executive Director and President, Mr. Prakash Daga – our Chief Financial Officer and Adfactors PR – our Investor Relations Team.

We have shared our Results Update and Presentation and Media Release, I hope you all must have received it and gone through with the same.

If I talk about the recent development during the year, India's plastic industry has grown significantly since its inception in 1957 and it is now one of the prominent areas in the country's economy. India is also one of the world's top exporters of plastic products, producing and exporting a range of raw materials, laminates, electronic equipments, medical wear and consumer goods. The Indian plastic industry has faced a challenge due to the country's general economic crisis over the past two years, which is weakening the rupee. But the underlying economic activities remains strong as the use of plastic is increasing in more and more segments, opening the new markets, and substituting the traditional materials. The global extrusion machinery market is expected to grow from \$7.31 billion in 2022 to \$7.65 billion in 2023 at a compound annual growth rate of 4.6% CAGR. The extrusion machinery market is expected to grow to \$9.02 billion in 2027 at the CAGR of 4.2%.

We are thrilled to share the outstanding financial performance of Rajoo Engineers for the 2nd Quarter and the first half of the Fiscal Year 2024.

Our Company has demonstrated growth and resilience during this period marked by impressive achievements including higher production, increased machinery dispatches and a strong order book. Our order book has reached a new height, reflecting the trust and confidence of our customers in us. We are committed to ensuring that these orders are fulfilled promptly and with the highest standard of quality, further solidifying our reputation in the market. We are happy to share that as a part of our strategy, we successfully acquired 3 industrial plots located right next

to our existing factory in Rajkot. These acquisitions are strategically positioned and represents a pivotal step forward in our ongoing expansion strategy. This expansion is the current year will also allow us to enhance our production capacity, which is essential to meeting the growing demand of the market. We are on a dedicated path to expanding our product offerings with the key focus of the future as renewable energy gains prominence worldwide.

Our most recent launch, the Lamina E, is a game changer in its own right. It's India's very first mono and multilayer EVA/POE sheet extrusion system designed for producing encapsulant sheets using solar cells. This is not just a product, it's a significant stride towards reducing our reliance on import and empowering solar panel manufacturers. We believe it is a critical step towards India's energy independence program by 2047.

Our business strategy is comprehensive. We are extending our global reach, entering new markets and investing significantly in our R&D activities and quality control to create more energy-efficient products and embracing digital solution for our after-sales services. The core of our approach remains with our customer and our goal is continuously exceeding their expectation and giving them a smooth experience.

Looking ahead, we have our sights set on the capturing of substantial market share in the agriculture and renewable energy sector, but our commitment doesn't stop here. We are equally passionate about making advancement in plastic recycling as we firmly believe in sustainable technology and practice to protect our planet for generation to come. We are enthusiastic about the journey that lies ahead. Our objective is clear, we aim to achieve robust growth underpinned by our outstanding products and a strong brand reputation.

Our confidence is derived from our domestic and global outlook, which indicates that we are poised to secure valuable orders from rapidly expanding markets. Furthermore, we are committed to enhancing our EBITDA margin by emphasizing high value products and optimizing our operational efficiency.

Coming to our financial performance:

Our 2nd Quarter of the year financial performance, the revenue from operations for the quarter is 53.53 CR in Q2 FY24 as against 33.63 CR in Q2 FY23 YoY increase of 59.16% on account of higher production and the dispatches during the period remained in a full swing backed by a strong order booking and delivery commitments. EBITDA margin excluding other income is at Rs. 7.17 crores in Q2 FY24, as against 3.6 crores in FY23, the increase was 99% YoY due to higher capacity utilization, improvement in the operational efficiency during this quarter. EBITDA margin was at 13.40% as against 10.69% YoY increased up 271 EPS. Profit after tax stood at 5.29 crores in Q2 FY24 compared to 2.32 crores Q2 FY23 YoY increase of 127%. The PAT margin was at 9.89% as against 6.91% this has a YoY increase of 298 bps.

Coming to the half year financial performance:

Revenue from operations for H1 FY24 84.74 crores, against 51.85 crores in by the H1 FY23, a YoY increase of 63.44%. On account of higher production and 74 machines dispatched during the period combined with the strong order book and delivery commitments, EBITDA excluding other income is at 10 crores in H1 FY24 as against 4.42 crores in H1 FY23, increase of 128% YoY on account of increase in sales optimum capacity utilization and the improved operational efficiency. EBITDA margin is 11.90% as against 8.52% YoY increase of 338 BPS. Profit after tax is 7.75 crores in H1 FY24 compared to. 3.07 crores in H1 FY23, a YoY increase of 152%. PAT margin is 9.15% as against 5.93% in the last year. So, YoY increase of 322 bps.

Now I'm delighted to open the call for any questions you may have. Thank you for your attention.

Moderator: Thank you so much. We will now begin the question-and-answer session. The first question is from the line of Sriram R from Investor. Please go ahead.

Sriram R: Can you give the application price split in terms of revenue for the first half like how much the flexible packaging would be, how much would be agri, solar and other segments.

Khushboo C. Doshi: Majority of the revenue has come from the packaging side last year and now it is picking up and probably may take another year to form the significant portion in the revenue. So, the majority comes from the flexible packaging, the rigid packaging and agriculture sector.

Sriram R: How much would be the percentage, can you quantify that?

Khushboo C. Doshi: Yes, I would say that 55% coming from the flexible packaging and around 35% coming from the semi rigid packaging, food packaging and remaining from the agriculture sector.

Sriram R: So, how much should be the solar here the Lamina part?

Khushboo C. Doshi: Sir this is not significant yet because the Company has launched this machine recently and it will pick up the probably in the next two to three more quarters.

Sriram R: Okay so basically it is 55% would be flexible 35% would be the rigid and the rest of it would be the agri and solar, right? Thank you so much.

Moderator: Thank you so much. The next question is from the line of RK Laddha from Yash Investments. Please go ahead.

RK Laddha: Thank you for giving me the opportunity. First of all, kudos to Team Rajoo for this great set of numbers. My question is, is our Company holds some land parcel in other parts of Gujarat except of Rajkot?

Khushboo C. Doshi: No, Sir. I mean, it's all in around Rajkot.

- RK Laddha:** And I just wanted to ask about the Lamina already this has been answered. So, no question from my side now.
- Moderator:** Thank you so much. The next question is from the line of Nikhil Arora who is an individual investor. Please go ahead.
- Nikhil Arora:** Sir. I wanted to know if the income from operations and EBITDA have grown YoY like approximately 60% and 94, 95 or 99% respectively. So, if you could just throw some light on what factors were contributing to the growth.
- Prakash Daga:** See the EBITDA year-on-year basis has increased by almost 99.5% and it has witnessed almost 271 BPS mainly due to the three reasons. The first thing is the sales increase by almost 63% during this first half of the year, so corresponding, EBITDA has increased. The second one is the contribution margin per unit improved due to higher capability utilization during the period. So, the portion of variable expenses in the total expenses, total cost, other cost is high. So, which has got absorbed due to the higher capacity utilization and that has reflected in improvement in overall EBITDA and third one is the revenue from the exports during the first half. It has almost all contributed almost 46% of the total turnover as compared to last year, it was around 29% of the total turnover. So, because of this comparatively year-on-year basis EBITDA has shown an improvement of almost 99.5%.
- Nikhil Arora:** Okay so got it. So, and are we expecting a similar range of margin in the coming quarters?
- Khushboo C. Doshi:** We are expecting the same kind of margin in next quarter as well.
- Nikhil Arora:** That is great to know, ma'am. Also, you said that the export contribution has increased. So, if you could just highlight which country had the maximum share of export?
- Khushboo C. Doshi:** Mr. Jain, would you like to take this, please?
- Sunil Jain:** We continue with our traditional markets, which is Nigeria, Ghana and South Africa and also with penetration coming in from Southeast Asia, more specifically Vietnam and also are very old traditional markets in Colombia and Ecuador?
- Nikhil Arora:** Okay sir and also if I am not wrong, we have done the recent acquisition of three industrial plots. So, if you could please elaborate on how these acquisitions will benefit the Company I mean in terms of production capacity and any other future developments?
- Khushboo C. Doshi:** Yes. So, this land parcel would help us to have the assembly capacity for and we would be able to. Produce more machines so the earlier capacity is around producing worth of 200 crores, but with this additional capacity we could be able to reach a two-month 300 to 325 crores of revenue with the same premises.

- Nikhil Arora:** One last question from my side. How are we planning to navigate challenges like changing the commodity prices or let's say geopolitical uncertainty or inflation, let's say?
- Khushboo C. Doshi:** Change in the commodity pricing is something happening every day and one has to keep doing the improvements. Currently what we are doing is focusing on various market to bringing more business. So, the kind of expenses which is going up the raw material prices have gone up the only volume can help us to rationalize it is the only way. So, we are more focusing on sales and marketing activities in a various markets, various international markets where we have not reached so far.
- Moderator:** Thank you. The next question is from the line of Neha Jain from Investor. Please go ahead.
- Neha Jain:** I just have two questions. One regarding the R&D investments that we have been making, so what percentage of our revenue is part of our R&D investments and for what specific areas and what kind of innovations do we focus on?
- Khushboo C. Doshi:** So, if we talk about the total R&D expenses half yearly, it is, it would be around 1 to 1.5% of the revenue portion as of now because the majority efforts have been gone into enhancement of the existing products which can put us in a global map. So, majority R&D efforts has been gone in the same direction because last year we have already launched a new product and the product is now getting accepted by the customer market.
- Neha Jain:** So, are you, ma'am, trying to say that for the next couple of years we only be focused on enhancing our older products and not like you are planning to come out with any new product on this.
- Khushboo C. Doshi:** We have chosen to be in bed extrusion. Our deadline is excellence in extrusion, and we choose to be in extrusion and in extrusion there are various products and various applications which the Company is trying to touch upon instead of getting into the completely new product. So, yes, to respond to your question, yes, our focus would remain on the extrusion product.
- Neha Jain:** Okay got it, ma'am and ma'am about you mentioned about your future growth target to be somewhere in the range of 15 to 18%, if I am not wrong. So, just wanted to understand what kind of strategies are there in place and how do we like plan to achieve that kind of target.
- Sunil Jain:** As has already mentioned, the strategies are multifold A -beginning with the expanding our footprint, getting into more countries because India still continues to be a very small player in the plastic segment. That's one then looking at the machine with the higher capacities that is becoming the order of the day have the higher capacities, which means higher automation levels. So, these are two, one is geographical, and one is technology upgradation and the third is it will be mentioned getting into the solar energy space and that's a new product. So, we would like to focus on these three strategies in the coming few years.

- Moderator:** Thank you. The next question is from the line of Rohan Mehta, who is an individual investor. Please go ahead.
- Rohan Mehta:** I had some questions regarding the acquisition of the industrial plots, three of them, if you could just shed some light on what we can expect in terms of production capacities and future developments once these plots are in and operational.
- Khushboo C. Doshi:** I think I have already responded to the previous question, but just to repeat we would be enhancing our assembly capacity and quality control areas with this additional parcel of land, our total capacity will increase, and we would be able to install and build more number of machines.
- Rohan Mehta:** Okay. Understood, ma'am and regarding the Lamina E product, if you could, just elaborate a little bit about what the potential is for this product in the market?
- Sunil Jain:** See solar energy is being promoted even by the government and they become the order of the day. So, the product which we have made is a film which goes as a part of a solar cell. So, solar cell has many parts, so this is a critical part of the solar cell it is a plastic film which is very heat sensitive. So, any solar cell would have that film and today we are the only manufacturer of that equipment in India earlier equipment was coming mostly from China and Europe and we are the first Indian manufacturer. See extrusion has been our forte and it will continue to be. We have already been sheet extrusion, so this is another application of sheet extrusion.
- Rohan Mehta:** Okay, so Sir, do we have any potential clients in the pipeline for this or will we be going to the market once everything is operational?
- Sunil Jain:** One machine is already in operation, and we have a big pipeline, so we are hopeful that that pipeline will get converted towards.
- Rohan Mehta:** Alright, Sir and just touching upon the order book. Any insights into breakdown of these orders between domestic and how much of it is export and what kind of timelines would these orders take to the pending orders to be fulfilled?
- Khushboo C. Doshi:** So, we have a current order booking pipeline of around 185 crores and the timeline or the average lease time, you can say is 5 to 8 months depending on the size of the order.
- Rohan Mehta:** Okay and do we see the split of revenue between domestic and export changing going forward? Is there any new geography on the horizon for us in terms of exports?
- Khushboo C. Doshi:** Yes. So, as Mr. Jain rightly mentioned, we are targeting now more on Latin America and some of the European market as well and if you talk about the split between export and domestic market export would be around 55 to 57% of the total of the book.

- Rohan Mehta:** And ma'am, if you could just give us some sense about the infrastructure segment products that are under those, you know, specific products and their relevance in the infra or construction related projects.
- Khushboo C. Doshi:** Yes, sure. So, we have a joint venture Company called Rajoo Bausano Extrusion Private Limited and that Company is producing the machines for pipe extrusion, WPC and so forth and so on. Those are the products which are going into the infrastructure. From Rajoo directly, there are blown film line technology which is going into the infrastructure. As you say, a pond liner or a cross laminated film, the outdoor tabs and a film application, basically a shared link for the building infrastructure. So, these are the products going to the market. Also, from blown film technology and PVC based plastic extrusion machineries.
- Rohan Mehta:** Understood. Anything on the agriculture front as well?
- Khushboo C. Doshi:** Okay. Yes. So, again, coming back to agriculture, we produce various kinds of machines which produce film, which is mulch film, greenhouse film, so on and so forth. So, these films are going into the agriculture segment.
- Rohan Mehta:** Understood, ma'am. So, ma'am, is it safe to assume that the revenue realizations and therefore the EBITDA margins from all these products are similar whether they are the end application is agriculture or intra or traditional films and packaging.
- Khushboo C. Doshi:** Yes, the basic technology remains same and then depending on the each industry segment can need and the machine gets modified as per the application.
- Rohan Mehta:** Okay but realizations would remain around a similar range for all of these.
- Khushboo C. Doshi:** More or less.
- Rohan Mehta:** Ma'am and just one last wanted some color from you on these global challenges or disruptions that are happening in terms of the political instability in the Israel area and all that is that having any impact, do you expect any adverse impact on our business for that.
- Khushboo C. Doshi:** Currently I mean if you talk about till last quarter there was no impact, but yes, we do expect that the logistic again will get the expensive offering. Some of the steel prices may go up. So, again the raw material prices and the supply chain may get affected again but I think after COVID we all are geared up with various ways and means to cope up with any kind of challenges?
- Rohan Mehta:** We have any specific strategy to mitigate risk for supply chain or for the FOREX fluctuation or anything like that?

- Prakash Daga:** See regarding the FOREX fluctuation, mostly we are hedging our three months, four months forward variable and import we have very less so it is covered by natural hedge. So, as far as the FOREX is concerned it is properly hedge. We have a proper risk management policy there and if you talk about from a pricing, commodity pricing, raw material pricing we mostly work on procurement basis order to order. So, the moment the orders are finalized, the back-to-back procurement orders are also released with their defined delivery schedule. So, that way we try to control the raw material pricing to the extent.
- Rohan Mehta:** Okay and if there are any logistics hindrances it would be one can expect a little bit of pressure on working capital as well, would that be correct.
- Prakash Daga:** Working capital means see in our case we normally receive 35% to 40% advance whenever we finalize any order for exports or domestic. So, that and our raw material cost totally it comes around 60% or so, so more or less mostly it covers whatever we need to invest in raw material and if we talk about logistic challenges then even if the logistic cost goes high, it may have some impact on our raw material procurement from import, whatever imports we are doing, but if we talk about exports then we normally finalize the orders on FOB. So, that way we try to mitigate this.
- Moderator:** Thank you. The next question is from the line of Supan Parekh from Investor. Please go ahead.
- Supan Parekh:** So, I would like to know like your short term borrowing increased from 5.50 crores FY23 to 2.50 crores in H1 FY24. So, like is it our working capital requirement or for what reason?
- Prakash Daga:** It has increased by about 1.5 crores just because we have avail export packing credit and that was also to avail interest EBITDA benefit because we are getting export interest subvention on the pre-shipment credit and the same if you invest in FD then it gives the interest benefit of almost 150 bps. So, because of that reason only it has shown an increase.
- Supan Parekh:** So, are we expecting like is this to be increase more or be stable for the next?
- Prakash Daga:** We are not to avail any fund-based facility. So, though we have the sanctioned facilities in place, this was just to avail the interest arbitrage benefit of almost 1.35 bps in terms of interest, so that was the reason for availing this 2.5 otherwise there was absolutely no requirement of funding.
- Supan Parekh:** Okay and also, I want to know about the property plant has like increased from previous year. So, from 35 crores has gone to 39 crores. So, like do we have purchased any asset during the half year?
- Prakash Daga:** Yes, that there will be some modifications in the building and creation of this land quality room, and we have invested some 50% of the new CAPEX in some machinery. So, CAPEX was almost around 4 crores during this first half.

- Supan Parekh:** Okay and also the receivable days like that have decreased from 71 days in FY23 to 22 days in H1 FY24. So, what are the reasons for this particular decrease in receivable days?
- Prakash Daga:** So, the receivable day normally receivables are days are calculated on the basis of the receivables pending as on the last day of quarter or half that it keeps on fluctuating because we normally receive 50% advance and balance 50% is collected against the dispatch or by way of LC's there may be some machines dispatched the quarter end and against the LCs and the LCs will be that we will be getting the payment the moment the document reaches at customers bank and presented to the customer that they gave, they pay it and receive that at our end and that through that period, it remains the outstanding in books. So, because of that, the period keeps on fluctuating slightly.
- Supan Parekh:** Okay. So, like we do not have any like the terms has not changed for the suppliers and the customers, right? It has been the same.
- Prakash Daga:** Yes. It has been the same.
- Moderator:** Thank you so much. The next question is from the line of Nihar Mehta, who's an individual investor. Please go ahead.
- Nihar Mehta:** Could you please reiterate the key elements which we are focusing on for a significant growth in our business in the upcoming year? Could you please highlight that?
- Khushboo C. Doshi:** Yes. So, as Mr. Jain rightly mentioned that focusing on a various market those market which is expanding but so for us it is a virgin market like the Middle East and Europe. So, these are the markets where we would like to focus on now. Another important thing is one of the important strategies of our growth would be customer experience, where it will not be only limited to buy and sell of the product, but right after it will start from the kind of the need identification to the machine selection and then the installation commissioning after market and the market development. So, the complete handholding to any new customer and creating the smooth experience for them, that is a core part of our strategy. Other than that the continuous research and development which is happening at Rajoo Engineers Limited and lead us to manufacturing the product, which is equivalent to European supplier and now probably India may no need to go to the other supplier who has placed in outside India so continuous innovation and product feature enhancement helping us to keep us going and for the derisking where the plastic is being used in packaging sector since years and it will continue to be, but to derisk that entire scenario we are more focusing on the plastic usage in agriculture and renewable sector which has the high growth plans, so these are the main strategies for going ahead.
- Nihar Mehta:** Okay, as we also have international exposure. So, in terms of you know supplying the machinery to our clients, the time frame that it takes and also collecting the cash from the customers, it is a bit too long. So, are we strategizing on reducing this particular time frame as such?

- Khushboo C. Doshi:** Yes, I mean that is why again, coming back to the capacity enhancement which we are doing now, that will help us to reduce the lead time of the product.
- Nihar Mehta:** Right. So, what is the minimum expected time frame from delivering the machinery to the clients and collecting cash from them, what is the minimum expected time frame that we could?
- Khushboo C. Doshi:** So, the delivery time of any product or you can say lead time of any product varies from 3 months to 10 months and in some extent and collecting the cash. Yes, the payment comes before the delivery. So, in 95% cases there are always 100% payment before we dispatch and in some cases there are LCs. So, yes, this is how it is.
- Nihar Mehta:** And also, how about the foreign exchange risk as we have exposure in other currencies, are we taking any particular measures on the same?
- Prakash Daga:** If you talk about the foreign exchange management, foreign exchange rate, we are hitting the 3 to 4 months export receivable normally as a risk getting policy and. We have some imports as well. Normally we have exposed in the US dollars mostly. So, in the same currency and we have imports to the tune of almost 10 to 15% of all foreign currency. So, to that extent, it is necessarily hit. So, we always normally keep our imports open and hit the exports for 3 to 4 months. This is how we mitigate.
- Nihar Mehta:** Lastly, you know given we are also expanding, so do we have any future plans to expand in other international countries?
- Khushboo C. Doshi:** You mean to say many in term expanding in terms of sales or in terms of manufacturing.
- Nihar Mehta:** In terms of sales or manufacturing in other.
- Khushboo C. Doshi:** Yes, as I mentioned, we have a full-fledged plan to expand our sales network in all the countries of the Middle East and Europe.
- Moderator:** Thank you so much. As there are no further questions, I would now like to hand the conference over to Ms. Khushboo Chandrakant Doshi from Rajoo Engineers Limited for closing comments.
- Khushboo C. Doshi:** Thank you very much. I would like to thank you for taking the time to attend this call. I am also thankful to each member of our Rajoo Engineers Family as well as our customers, creditors, banks, financial institutes and all other stakeholders for any further queries or information please get in touch with our Investor Relations team and see you soon. Thank you.
- 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.