

**Rajshree Polypack Limited. Q3 & 9M FY23 Earnings Conference Call February 10, 2023**

**Moderator:**

- Ladies and gentlemen good day and welcome to Rajshree Polypack Limited Q3 FY23 earnings conference call hosted by Prabhudas Lilladher Private Limited. 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 touch tone phone. Please note that this conference is being recorded. I now hand the conference over to Ms. Stuti Beria from Prabhudas Lilladher Private Limited. Thank you and over to you, Mam.

**Ms. Stuti Beria – Prabhudas Lilladher Private Limited:**

- Thank you, Vipin. On behalf of Prabhudas Lilladher, I welcome you all to the Q3 FY23 earnings call of Rajshree Polypack Limited. We have with us the management represented by Mr. Ramswaroop Thard, the Chairman & Managing Director along with Mr. Sunil Sharma, who is the CFO, and Mr. Saurabh Agarwal, who is the strategic advisor. I would now like to hand over the call to the management for the opening remarks after which we can open the floor for the Q&A. Thank you and over to you, Sir.

**Mr. Ramswaroop Thard – Chairman & Managing Director, Rajshree Polypack Limited:**

- Thank you, Stuti. Good evening everyone. I welcome you all to earnings call of Rajshree Polypack Limited for Q3 FY22-23 and 9-month FY22-23. Joining me on the call is Mr. Sunil Sharma, CFO and Mr. Saurabh Agarwal, the strategic advisor to the company. We have already uploaded the investor presentation and I hope that everyone got the opportunity to go through the same. For Q3 FY23, the company has achieved the turnover of ₹53.9 crores against the turnover of ₹48.18 crores for the corresponding quarter of previous year, thereby achieving the growth of 11.86%. For 9-month ended, the company has achieved the turnover of ₹187.36 crores as against the turnover of ₹147.07 crores for the corresponding period of previous year thereby achieving growth of 27.4%. The EBITDA of the company increased by 6% and stood at ₹7.02 crores for Q3 FY23 as against ₹6.62 crores for corresponding period of previous year and for the 9-month end period the EBITDA of the company stood at ₹26.17 crores as compared to EBITDA of 20.6 crores for the corresponding period of previous year thereby registering a growth of 27%. At the same time, the company earned profit for after tax amounting to ₹1.05 crores for Q3 FY23 as compared to ₹2.48 crores for Q3 FY22, which was 58% lower as compared to corresponding quarter of previous year. Whereas the PAT for the nine-month ended stands at ₹8.28 crores as against ₹7.33 crores for the same period last year, thereby achieving a growth of around 13% year-on-year.
- For us, at Rajshree Q3 of the year is weakest among all quarters due to seasonal nature of business and this year wasn't an exception. Hence why we did achieve growth in sales on year-on-year basis, growth in EBITDA was commensurate on account of significant growth in manufacturing costs due to higher electricity costs, further higher interest and depreciation costs on account of capital investment and increasing working capital requirements did have negative impact on the profits of the current quarter. Here I must invite your kind attention to the fact that despite lower sales this quarter we did achieve higher production in order to build inventories for next quarter.

During the quarter we manufactured 4,371 tons of sheet which was about 28% higher as compared to corresponding quarter and about 8% higher than last quarter. At the same time, we manufactured 1845 metric tons of packaging product again which was around 28% higher than the corresponding quarter and about 3% higher than last quarter. In the painting section, we did around 23.6 crore units during this quarter, which was around 67% more than the corresponding quarter and about 9% more than the last quarter. We are confident that this strategy will help us achieve higher turnover and profits during the ongoing quarter. As you are aware that the company has commenced manufacturing of injection molded products in September, 2022 with the tool manufacturer with committed capacity. The production shall be scaled up as we build more demand, we are at the moment operating at around 35%-40%.

- Presently, the company is focusing on food service segment for the injection molding products. Looking specifically at barrier products, the company revenue from this segment stood at ₹ 16.81 crore during the year as compared to ₹ 5.49 crore for the previous year, nine-month. The company is working to improve the same further. Speaking about the capacity enhancement, we completed installment of extrusion machine at its Sarigam unit with installed capacity of 3,500 metric tons per annum. This machine takes total installed exclusion capacity to 18,200 metric tons per annum from existing 14,700 metric tons per annum. Printing machine has been installed with the capacity of 100,000 lakh pieces per annum - yeah 1,000 lakh pieces per annum sorry and has been installed and another printing machine with identical capacities run the process of installation. In current quarter printing capacity stood at 8,400 lakh pieces per annum and same shall grow to 9,400 lakh resource per annum with completion of current installation process. Further the company is also in process of installing one new thermoforming machine, which will replace two older technology machines. Tube laminates is one of the products where we are keen about in order to iron out the quality issues, we have received and installed some additional attachment on the machine and we are ready to roll out the product in this category soon. On the new product front, I would like to share that your company developed and have introduced 7 new products in various segments. Our aggregated product base now stands close to 190 products across various segments. We have also boarded more than 30 new customers in the current quarter including some overseas customers.
- I'm also glad to inform that your company has also received a product and patent process in the current quarter. During this quarter, we did participate in the 27<sup>th</sup> edition of Gulf Food Exhibition, Dubai one of the largest food and beverage sourcing event in the world. The event helped us in exhibiting our products to an audience consisting of global food manufacturing associations. In case of Olive Ecopack Private Limited, the construction of the factory building is in progress and as per the schedule and in the next few months, we will be placing order for the machinery. I shall keep you posted with the progress of Olive Ecopack. With this, I would like to invite your questions.

**Moderator:**

- Thank you. Ladies and gentlemen, we will now begin the question and answer session. Participants who wish to ask a question may kindly press “\*” and “1” on your touch tone telephone. If you wish to withdraw yourself from the question queue you may press “\*” and “2”. Participants are requested to use handsets while asking the question. Ladies and gentlemen, we will wait for a moment while the question queue assembles. Participants kindly press “\*” and “1” to ask a question. The first question is from the line of Ankit Agarwal from Yellowstone Equity. Kindly proceed.

**Mr. Ankit Agarwal -- Yellowstone Equity:**

- Yeah. Hello.

**Mr. Ramswaroop Thard -- Chairman & Managing Director, Rajshree Polypack Limited:**

- Hello.

**Mr. Ankit Agarwal -- Yellowstone Equity:**

- Hello, Ramswaroop ji.

**Mr. Ramswaroop Thard -- Chairman & Managing Director, Rajshree Polypack Limited:**

- Yeah. Hello Ankit.

**Mr. Ankit Agarwal -- Yellowstone Equity:**

- Weekend update, just I know you mentioned Q3 tends to be seasonally weak quarter, but adjusted for seasonality how was the result relative to your expectation, were there any conveniences or maybe it was better than expected?

**Mr. Ramswaroop Thard -- Chairman & Managing Director, Rajshree Polypack Limited:**

- I will say it was in line with previous years historically what we see. If we see the total revenue drop was around 17% out of which 10% comes from volume and around 6% to 7% comes from reduction in the prices of raw material, which happened in quarter 3. So, if you say volume wise there was 10% reduction.

**Mr. Ankit Agarwal -- Yellowstone Equity:**

- Okay, 10% reduction relative to last year?

**Mr. Ramswaroop Thard -- Chairman & Managing Director, Rajshree Polypack Limited:**

- Yeah with respectful last quarter.

**Mr. Ankit Agarwal -- Yellowstone Equity:**

- Oh, last quarter, okay, okay. Quarter-on-quarter, so 10% addition.

**Mr. Ramswaroop Thard -- Chairman & Managing Director, Rajshree Polypack Limited:**

- And with respect to last year, it was 12% growth.

**Mr. Ankit Agarwal -- Yellowstone Equity:**

- Right, right. Okay. So, it was relatively, I mean it was lower than what you expected, but there's like - the demand environment is fine right?

**Mr. Ramswaroop Thard -- Chairman & Managing Director, Rajshree Polypack Limited:**

- Yeah, like 10% during this quarter of the year volume going down is historical process, which we have been facing from quite some time.

**Mr. Ankit Agarwal -- Yellowstone Equity:**

- Okay, okay, fine. So, it is in line, okay. Interesting and then, we have nourished so as among our top two customers with the recent acquisition of Bisleri by Tata Consumer Group, does it have any implications for us?

**Mr. Ramswaroop Thard -- Chairman & Managing Director, Rajshree Polypack Limited:**

- No. I don't think so. The product portfolio has increased. If they tend to come up with the water in this format of packaging that will help us, but we have not heard anything as such till date. So, the current format of packaging into their other product categories continues and that is growing.

**Mr. Ankit Agarwal -- Yellowstone Equity:**

- okay, interesting.

**Mr. Ramswaroop Thard -- Chairman & Managing Director, Rajshree Polypack Limited:**

- The only thing is definitely they will get an advantage of distribution network, which Bisleri is having, so probably the sales of existing product portfolio may go up.

**Mr. Ankit Agarwal -- Yellowstone Equity:**

- Right, right. So, it may benefit us?

**Mr. Ramswaroop Thard -- Chairman & Managing Director, Rajshree Polypack Limited:**

- Yeah.

**Mr. Ankit Agarwal -- Yellowstone Equity:**

- But you don't have any visibility.

**Mr. Ramswaroop Thard -- Chairman & Managing Director, Rajshree Polypack Limited:**

- Yeah, yeah.

**Mr. Ankit Agarwal -- Yellowstone Equity:**

- Right, right. Okay, and then on injection molding, I mean are we also doing in-mold labeling in that?

**Mr. Ramswaroop Thard -- Chairman & Managing Director, Rajshree Polypack Limited:**

- We are working on it, so we will let you know as in when we are ready with it. So, as informed earlier at the moment we have started with the products which are for food service segments and once we are ready for IML, we'll let you know about that.

**Mr. Ankit Agarwal -- Yellowstone Equity:**

- Okay, okay. You mentioned current utilization is like 35%-40%, how fast can we scale up to like full utilization?

**Mr. Ramswaroop Thard -- Chairman & Managing Director, Rajshree Polypack Limited:**

- I feel so in this year we should be somewhere around 60%-65% and maybe by next year - this year means I'm talking about next six to seven months because it started in September, so I'm saying that in from the date of start of this process in September 22, by September 23 we should be coming to 60%-70% and then after that maybe another 80% to 90% we can reach. The total capacity is around 1,200 to 1,300 metric tons per annum.

**Mr. Ankit Agarwal -- Yellowstone Equity:**

- Okay interesting and the pricing like the EBITDA per ton here is it different from what we do currently?

**Mr. Ramswaroop Thard -- Chairman & Managing Director, Rajshree Polypack Limited:**

- EBITDA here is at the moment little lower because this is again a contract toll manufacturing, so we are not directly involved into manufacturing, it is slightly lower. So, it will not be at the same number what we do, but as informed we will like to do more of again value-added products going forward from this process also. So, as it's a new process for us, we are starting with plain vanilla products and as we have expertise on the process, we will like to add value-added products even in injection molded category

**Mr. Ankit Agarwal -- Yellowstone Equity:**

- Okay interesting. So, cube analysis you mentioned that you were going to – I mean you're ready for commercial launch now, so this quarter we should start seeing some revenues from that segment, right?

**Mr. Ramswaroop Thard -- Chairman & Managing Director, Rajshree Polypack Limited:**

- Yeah, yeah, like whatever issues we had on the quality front, with this installation we are hopeful that we will be able to eliminate those issues. So, we are ready to roll out again and do the validation trials with the customers.

**Mr. Ankit Agarwal -- Yellowstone Equity:**

- Okay. So, right now we're in validation trial, once that is done then probably from next quarter onwards, we will probably start seeing that as well?

**Mr. Ramswaroop Thard -- Chairman & Managing Director, Rajshree Polypack Limited:**

- Yeah.

**Mr. Ankit Agarwal -- Yellowstone Equity:**

- Hello?

**Mr. Ramswaroop Thard -- Chairman & Managing Director, Rajshree Polypack Limited:**

- Yes, yes, from next quarter we can definitely see revenue coming from there. There are some small revenues, which are still coming, but they're not substantial I would say.

**Mr. Ankit Agrawal – Yellowstone Equity:**

- And for Olive Ecopack, how does it work? Like, I know it will take some time for the factory and everything to set up, but are we already sourcing orders or is it too soon right now?

**Mr. Ramswaroop Thard – Chairman & Managing Director, Rajshree Polypack Limited:**

- No, it's too soon because again the category here will be more of food service category. So, their sales will start only once we have a product in our hand.

**Mr. Ankit Agrawal – Yellowstone Equity:**

- Okay. And will the focus be on existing customers or is the approach different here?

**Mr. Ramswaroop Thard – Chairman & Managing Director, Rajshree Polypack Limited:**

- I will say few of the customers for us we can look into from the existing list. But our JV partner, they have a lot of customers who are into this category because we are mostly into packaging. Not all of our customers are using paper, but few of them definitely are using.

**Mr. Ankit Agrawal – Yellowstone Equity:**

- Okay, interesting. So you'll probably rely more on the JV partner for the distribution and sales.

**Mr. Ramswaroop Thard – Chairman & Managing Director, Rajshree Polypack Limited:**

- Yes.

**Mr. Ankit Agrawal – Yellowstone Equity:**

- Okay. And just one administrative question. In the annual report, some of the loans have mentioned SVC and HDFC Bank together. So is this like a joint venture entity that provides loans?

**Mr. Ramswaroop Thard – Chairman & Managing Director, Rajshree Polypack Limited:**

- No. Both are individually...there are two banks which have given loans. So it is HDFC and Citi.

**Mr. Ankit Agrawal – Yellowstone Equity:**

- Okay. So you have just reported the loan in aggregate from both.

**Mr. Ramswaroop Thard – Chairman & Managing Director, Rajshree Polypack Limited:**

- Yes.

**Mr. Ankit Agrawal – Yellowstone Equity:**

- Okay. Very interesting. Thank you for answering all my questions, and best of luck.

**Mr. Ramswaroop Thard – Chairman & Managing Director, Rajshree Polypack Limited:**

- Thank you.

**Moderator:**

- Thank you. As a reminder to participants, kindly press ‘\*’ ‘1’ to ask a question.
- The next question is from the line of Ananth Shenoy from AS Capital. Kindly proceed.

**Mr. Ananth Shenoy – AS Capital:**

- Good afternoon. My first question is about forecast or the visibility from the customer. So how much in advance do we get? So, for example, now we are in February, so do we get orders like how much months in advance? For example, do we get orders for March-April now only? Like, how is the visibility in this?

**Mr. Ramswaroop Thard – Chairman & Managing Director, Rajshree Polypack Limited:**

- Generally, we have orders for around two months in advance and it depends upon which part of the year we are like, as we are entering into season so generally customers then give forecast instead of giving the confirmed orders. But as mentioned, the customers do tell us about their capacities and their requirement based on their filling line, speed and number of filling lines what customers have, they give us a tentative indication of the requirement, which we can calculate then what will be the requirement of a particular customer for the whole year.

**Mr. Ananth Shenoy – AS Capital:**

- Okay. And in the previous call, you had mentioned about turnover of like Rs. 260 crore for this year. So based on the visibility, are we on track to reach that kind of turnover?

**Mr. Ramswaroop Thard – Chairman & Managing Director, Rajshree Polypack Limited:**

- Yes. More or less we should be near that number; anywhere between 255 to 260.

**Mr. Ananth Shenoy – AS Capital:**

- Okay. And on the injection moulding side, you have mentioned you are at 30% to 40%. So at this kind of peak utilization, what sales can we expect from this injection moulding with the current capacity?

**Mr. Ramswaroop Thard – Chairman & Managing Director, Rajshree Polypack Limited:**

- It will be around Rs. 16 to Rs. 18 crores per annum. That will be the sales which will come.

**Mr. Ananth Shenoy – AS Capital:**

- With the existing capacity?

**Mr. Ramswaroop Thard – Chairman & Managing Director, Rajshree Polypack Limited:**

- Yeah, with the capacity what we have.

**Mr. Ananth Shenoy – AS Capital:**

- Okay. And that will come in FY24?

**Mr. Ramswaroop Thard – Chairman & Managing Director, Rajshree Polypack Limited:**

- Yes, in FY24, definitely we can look at that revenue coming from there.

**Mr. Ananth Shenoy – AS Capital:**

- And on the margin side, we have been mentioning about 15% margin. But last 2-3 quarters we are slightly less than that. So what is the outlook on the margin side?

**Mr. Ramswaroop Thard – Chairman & Managing Director, Rajshree Polypack Limited:**

- Generally, Q1 and Q4 are better for us in terms of requirements and the margins are generally better in this particular quarter. So we are roughly at 14% EBITDA, if you see. So we are missing out around 1-1.5%. That is, as mentioned earlier also, we have moved to a new location at Sarigam where our electricity cost is on the higher side and we expect that to get compensated through GST subsidy, which we are expecting to roll out or to get the clearance in another 1 month or 2 months' time, and probably in a year we will get around Rs. 1 to Rs.1.5 crore compensated through GST subsidy. So that will help us in bringing back that additional ½ a percent or 1% into the EBITDA numbers. And at the same time as we scale up, because all the investments have been done now for the plastic units, so as we scale up we will see a further improvement coming up and will be around 15% EBITDA.

**Mr. Ananth Shenoy – AS Capital:**

- Okay. On the barrier packaging side, can you talk about any new customers or acquisition that has happened in the barrier packaging side? How many customers we have and how does the pipeline of customers look like of barrier packaging?

**Mr. Ramswaroop Thard – Chairman & Managing Director, Rajshree Polypack Limited:**

- Barrier Packaging, we have few customers which are overseas customers and few of them are domestic. We have brands like, I would say Chitale, Lal Sweets. One Click Ventures is another start-up which we have started with which we have boarded a new customer. So generally we will say the people from the food industry and ethnic sweet is a big market in India which is growing apart from food processing companies. Haldiram is one of the major user, Haldiram Nagpur.

**Mr. Ananth Shenoy – AS Capital:**

- Okay, and what is the latest on the debt side? Like, what is the long term debt and short term debt on your books currently? Because the interest costs have gone up.

**Mr. Ramswaroop Thard – Chairman & Managing Director, Rajshree Polypack Limited:**

- So long term is around Rs. 20 crores.

**Mr. Ananth Shenoy – AS Capital:**

- This is from 30 December, right? December quarter?

**Mr. Ramswaroop Thard – Chairman & Managing Director, Rajshree Polypack Limited:**

- Yeah, 30th December. And short term around Rs. 35 – Rs. 37 crores.



**Mr. Ananth Shenoy – AS Capital:**

- Okay. Thanks a lot for answering my question.

**Moderator:**

- Thank you. Participants, if you wish to ask a question, please press ‘\*’ ‘1’.
- The next question is from the line of Ankit Agrawal from Yellowstone Equity. Kindly proceed.

**Mr. Ankit Agrawal – Yellowstone Equity:**

- Hello. Just one question on the barrier packaging side. It seems like we are already doing probably like 8 to 9% of revenues currently. Where do you think this can go? Like what will be the proportion going forward?

**Mr. Ramswaroop Thard – Chairman & Managing Director, Rajshree Polypack Limited:**

- We did around Rs. 16 – Rs. 17 crores of sale till 9 months. We are looking at around 30-40% growth in this category. So that's the rate at which we are looking at to grow.

**Moderator:**

- Participants, if you wish to ask a question, please press ‘\*’ ‘1’.
- The next question is from the line of Zaheer, an individual investor. Kindly proceed.

**Mr. Zaheer – Individual Investor:**

- Good evening, sir. Sir, regarding the EBITDA margin percentage, previously we had achieved around the 16% in 2019-2020 financial year. But right now it produces to 14% level. Is it possible we can achieve sustainable above 15% during the next 3 years?

**Mr. Ramswaroop Thard – Chairman & Managing Director, Rajshree Polypack Limited:**

- There was a bit of disturbance, Zaheer. But what I understood from your question is you're asking about the EBITDA margin and whether we'll have 15% to 16% EBITDA margin going forward is what was your question, if I'm not wrong.

**Mr. Zaheer – Individual Investor:**

- Yes sir.

**Mr. Ramswaroop Thard – Chairman & Managing Director, Rajshree Polypack Limited:**

- As mentioned earlier, we are at around 14% right now. So with the scale in the capacity which is available with us to do upside of around 15% to 20% and with the compensation in the electricity cost through GST subsidy, we definitely expect to increase this by 100-150 basis points. So 15% to 15.5% definitely looks do able.

**Mr. Zaheer – Individual Investor:**

- Okay sir. And Sir, regarding the revenue side, What is the benefit from the new Capex & How will it be?

**Mr. Ramswaroop Thard – Chairman & Managing Director, Rajshree Polypack Limited:**

- For this quarter you are asking or for next year?

**Mr. Zaheer – Individual Investor:**

- the demand will stay strong once we finish the CapEx. How it will be, the overall company performance?

**Mr. Ramswaroop Thard – Chairman & Managing Director, Rajshree Polypack Limited:**

- See, as mentioned, probably we are looking to close this year between anywhere between Rs. 255 to Rs. 260 crores, and for next year we look for additional 10 to 15% growth in the top line. That much capacity is available with us without any further major investments. So, we can look at that particular growth for next year in the top line.

**Mr. Zaheer – Individual Investor:**

- And do we need any further debt in the coming years or it is enough for the CapEx?

**Mr. Ramswaroop Thard – Chairman & Managing Director, Rajshree Polypack Limited:**

- Yes, it is enough for the CapEx. In Rajshree we don't need any further debt.

**Mr. Zaheer – Individual Investor:**

- Okay, thank you very much.

**Moderator:**

- Thank you. As a reminder to participants, kindly press '\*' '1' to ask a question.
- As there are no further questions, I would like to hand the conference over to the management for closing comments.

**Mr. Ramswaroop Thard – Chairman & Managing Director, Rajshree Polypack Limited:**

- Thank you very much ladies and gentlemen, for taking this time off and asking very pertinent questions. I really appreciate each of your questions and I hope I have been able to answer them to your satisfaction. With this, I wish you all the best and your family in good health. Thank you very much for joining us today. I'd like to request PL to take over the call and conclude.

**Moderator:**

- Thank you. On behalf of Prabhudas Lilladher Private Limited, that concludes this conference. Thank you for joining us. You may now disconnect your lines.

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