

**Rajshree Polypack Limited. Q2 & H1 FY23 Earnings Conference Call November 22, 2022**

*The conference is now being recorded*

**Moderator:**

- Ladies and gentlemen, Good day and welcome to Q2 FY23 earnings conference call of Rajshree Polypack Limited 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 \* and 0 on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Ms. Shweta Shekhawat from Prabhudas Lilladher. Thank you and over to you ma'am.

**Ms. Shweta Shekhawat - Prabhudas Lilladher Private Limited:**

- Thanks Rutuja. On behalf of Prabhudas Lilladher I welcome you all to the Q2 FY23 earnings call of Rajshree Polypack Limited. We have with us the management represented by Mr. Ramswaroop Thard – Chairman and Managing Director, Mr. Sunil Sharma – CFO and Mr. Praveen Bhatia - Independent Director. I would now like to handover the call to the management for opening remarks after which we can open the floor for Q&A. Thank you and over to you sir.

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

- Thank you, Shweta. Good evening everyone. I welcome you all to the earnings call of Rajshree Polypack Limited for Q2 FY23. I hope all of you and your families are in good health. Joining me on the call are Mr. Sunil Sharma – CFO and Mr. Praveen Bhatia – Director of Rajshree Polypack Limited. We have already uploaded the investor presentation and I hope that everyone got the opportunity to go through the same.
- For Q2 FY23 the company has achieved a turnover of Rs. 65.17 crores as against turnover of Rs. 50.22 crores for the corresponding quarter of the previous year, thereby achieving growth of 29.77%. The EBITDA of the company increased by 23.31% and stood at 8.33 crores for Q2 FY23 as against 6.76 crores for the corresponding period in the earlier year. EBITDA margin for the company for the current quarter stood at 12.79% as against 13.45% for the corresponding period of the previous year. At the same time, the company earned Profit After Tax amounting to Rs. 2.47 crores for Q2 FY23 as against Rs. 2.25 crores for Q2 FY22, thereby reporting increase of 9.49% over the previous year. PAT margins for the period stood at 3.97% of sales as against 4.49% of sales for the corresponding period in the earlier year.
- During this quarter, the installation and trial runs of injecting moulding set up by third party manufacturers exclusively for RPPL under toll manufacturing agreement stands completed and commercial production has been commenced. Production from the unit will be scaled up in the coming quarters. Further, the Company also received a new extrusion line at its Sarigam Unit with installed capacity of 3,500 metric tons per annum. The machine has been installed during the ongoing quarter. This machine takes total installed capacity of the extrusion to 18,200 metric tons per annum from existing 14,700 metric tons per annum. Further, as informed earlier, we are in the process of receiving two more printing machines which shall be installed in the next 3-4 months' time.

- On the product front I would like to share that your company developed and introduced 12 new products into bakery segment, and our aggregated product revenue stands more than 180 products across various segments. During this quarter, we also participating in few exhibitions like PackEx 2022 Mumbai, a key event for the packaging industry with participants coming from across the globe. The event helped us in exhibiting our products to an audience consisting of more than 20,000 buyers from different parts of the globe. We also participated in AAHAR 2022 which is an international food and hospitality fair held in Delhi. We'd like to update, on Olive Ecopak Private Limited, we have started working on the construction of the factory building. Now with the rains behind, the construction is in full swing and we'll be able to push the project at a much faster pace. I shall be updating you on the progress of the project on a quarterly basis.  
With this, I would like to invite your questions.

**Moderator:**

- Thank you very much. We will now begin the Question & Answer session. Anyone who wishes to ask a question may press \* and 1 on their touchtone telephone. If you wish to remove yourself from the question queue, you may press \* and 2. Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question is from the line of Ankit Agrawal from Yellowstone Equity. Please go ahead.

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

- Hello. Thank you for taking my question. My first question is, I know Q2 is a seasonally weak quarter. But, given the significant decline in EBITDA per kg, I just wanted to understand, did we underperform relative to our expectation or was it normal?

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

- Okay, I'll take you through what happened exactly. In Q2 we have certain one-time expenditure to the tune of Rs. 86 lakh towards some professional fees, towards lifting and some major repair work. There are certain into HR which incur some leave encashments. So, around 86-90 lakh was the nature of expense which was one-time. Secondly, as we have moved to Gujarat, one of the units where the power tariff is on the higher side compared to Daman, we are incurring around Rs. 30 lakh of additional power as an increased cost per quarter at Sarigam, which we were aware of, and this will get offset by GST subsidy which we can avail around 35-40 lakh per quarter. But, this benefit will start coming to us in the next 1-2 quarters and this benefit will be available to us for the next 10 years. So, that I would say are the two major reasons. And of course, due to decline in the sale of 3 crores or something... our expenditures are fixed, so around Rs. 30-35 lakh additional margin we could have got on that sale. So, roughly, we are 2.5 crores down from last quarter. So, that's where that number is coming from. The EBITDA number figured at around 10.8 crores, we are at around 8.33 crore in this quarter.

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

- Okay and are we on track, like what is the EBITDA per kg, what can we do like?

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

- EBITDA per kg is roughly around ₹30-₹32 per kilo.

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

- Okay. So, I mean last time you had indicated that we can do 35 in case there -- just like if the raw materials are not that volatile, then there is possibly do Rs. 35 per kg, but now you are revising it down to Rs.32 per kg.

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

- The average for the H1 is 33.62, which is as compared to H1 last year it was 29, so we it has gone up to Rs. 33.62 for the H1. So, we are not very far from 35 and we expect this to remain in the range of Rs. 34+/-₹1.

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

- Okay and in terms of volumes, was the decline in volumes was mostly seasonal driven or was there more to it?

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

- Like roughly there is around 3%-4% decline, which is most, which is seasonable, it could raise in winter, generally this quarter when little bit demand goes down on to beverages and dairy segment during this particular month.

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

- Okay, okay. So, it was mostly seasonal, but I mean for the full year what kind of volumes can we do, like can we do like 11,000 metric ton kind of volumes?

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

- So, for the full year, we expect to be somewhere around in the range of if I say top line, we should be in the range of around 260+/-5 that's the number we are looking at for the top line.

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

- Okay, okay. Just from the injection molding like what kind of products are we making using injection molding?

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

- It's got food service and food delivery at the moment.

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

- Okay, okay. So, that is the focus like the food delivery like the Swiggy and those kinds of guys?

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

- Zomato, yeah.

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

- Right. Okay. Understood, understood. Okay and just one last question on the tube laminates and the barrier packaging vertical, is it possible to share like how much of the volume for the current quarter came from these two segments, tube laminates and barrier packaging?

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

- Barrier packaging around 10% of business came from barrier packaging.

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

- In terms of volumes?

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

- In terms of revenue I would say.

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

- Okay.

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

- So, around 12½ crores of revenue is from barrier in this H1.

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

- Okay and what about tube laminates?

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

- Tube laminates, we still need to scale up. We need to have some attachments done on our machine for commercial production for it is good for production, but we need some technical modification on the machine, which is in process and will take four to six weeks for us to complete that upgradation on the machine to have commercial scale up on the tube laminates.

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

- Okay and what is the EBITDA per kg we are doing on barrier packaging?

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

- Around 43-45 we are doing.

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

- Okay. Great, great. Thank you. I'll come back in the queue.

**Ms. Shweta Shekhawat - Prabhudas Lilladher Private Limited:**

- Thank you. Participants who wishes to ask a question may press “\*” and “1”. Anyone who wishes to ask a question may press “\*” and “1”. Next question is from the line of Gurjot Ahluwalia, an individual investor. Please go ahead.

**Mr. Gurjot Ahluwalia – Shareholder:**

- Hi. Good afternoon. Thanks for the opportunity. So, couple of questions, this time the EBITDA margins, I think you've given guidance to sort of maintain 15%-16% for full year. So, are we still on track with desired expectation or are we going to miss that?

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

- We will be in the range of 15+/-1 I will say. From the current rate, we will be in the range of 15+/-1.

**Mr. Gurjot Ahluwalia – Shareholder:**

- I asked this question because it is the quarter right, the margin is sort of decreased and to maintain the 15% EBITDA margin right, the next couple of quarters margins should be much higher. Q1 was around 15%, so I think where do we see this sort of margin increase coming in or why do you see this will increase in the next couple of quarters?

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

- As I said like in this quarter, we had certain onetime expenditures plus the expansion what we have done will also start helping us in bringing some more revenue and we are roughly at 14.14% in H1 -- 14.35% in H1 FY23. So, the quarter four will be good, quarter three definitely will be again weak, but we see good numbers in quarter four as per our previous this thing, so we are very hopeful that we will be able to maintain 15% of 15½% combined in this two quarters. So, based on that, we will be in that range of 15%.

**Mr. Gurjot Ahluwalia – Shareholder:**

- Okay and just from an overall industry perspective, if I look at the history of the Company in around 2016-17 even 18, the margins were much higher around 18% to 20% and there is a gradual decline over the past 4-5 years. So, what is the -- I mean what was the reason that the company was enjoying such good margins in those years? and what's the long-term trajectory even with the olive ecopack, I know that I think you've given similar kind of margin guidance, is this the kind of sustainable trend around 15% or is there scope for other value added products with higher margins?

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

- See, one is of course in three years the raw material prices have almost doubled more than 50%-60%. So, you see that percentage is basically impacted due to increasing in the base raw material prices also because the conversion cost more or less are increasing at a particular level and raw material prices have gone up by substantially, so that is creating little impact on the percentage effect and as far as EBITDA margin, as we increase our scale, we will see definitely some improvements into the EBITDA margins, but I will say 16%-17% is up side which I'm seeing, which will be sustainable and which will be in long-term.

**Mr. Gurjot Ahluwalia – Shareholder:**

- Okay. Thanks. Thanks a lot, and all the best.

**Ms. Shweta Shekhawat - Prabhudas Lilladher Private Limited.:**

- Thank you. Participants who wishes to ask a question may press "\*"and "1". The next question is from the line of Ankit Agrawal from Yellowstone Equity. Please go ahead.

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

- Hello. Just a question on this thermoforming, we are replacing two machines with a new machine, so just want to understand will the capacity remains same or will it increase or decrease?

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

- It will remain same. Basically, we are discarding some old machines and replacing with higher output machines.

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

- Okay and we have this client ITI. I couldn't find much about them, could you like share what segment is this client in and is it

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

- ITI is a company in Mauritius.

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

- Okay, okay, okay. What segment?

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

- Dairy.

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

- Dairy?

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

- Dairy, yeah. They are into dairy food. It is a big group in Mauritius with new lot of spices, food, and dairy.

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

- Okay. Understood, understood.

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

- We will get you the -- this is the brand, maybe if you want, I can get you the name of the company and the website to you.

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

- No, it's fine. I think now we can find it and this tube laminates vertical that you mentioned you said like it will take another 4-6 weeks. Suppose that it will be into - so from Q3 onwards probably you can see revenues coming from -- sorry Q4 onwards you can see?

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

- Yeah from Q4 we can see some revenues started coming in the Company.

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

- Okay and on the injection molding side, are we looking to expand like add more products in that, right now you mentioned like Swiggy and all that delivery type of products, but any other products you're planning to add?

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

- Yes, definitely. As things progresses, we have certain things from the back of our mind, so we will definitely like to add few more products, but we will definitely let you know as and when it gets a proper shape.

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

- Okay and you mention about the revenues like around Rs. 260 crores for FY23, but is it possible to also share some guidance around the volume?



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

- For extrusion and thermoforming all put together, we can look at around 11,000 metric tons roughly is the number we can look at, which are roughly at 5500 metric ton in H1, so we can look at 11,000 metric tons further.

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

- Okay, perfect. That is very helpful. Thank you so much. That's all from my side.

**Ms. Shweta Shekhawat - Prabhudas Lilladher Private Limited:**

- Thank you. Participants who wishes to ask a question may press “\*”and “1”. Anyone who wishes to ask a question may press “\*”and “1”. Participants who wishes to ask a question may press “\*”and “1”. Ladies and gentlemen, you may press “\*”and “1” to ask a question now. As there are no further questions from the participants, I now hand the conference over to the management for closing comments.

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

- Thank you, Shweta. Thank you very much ladies and gentlemen for taking this time off and also asking very pertinent questions. I really appreciate each of your question and I hope that I have been able to answer them to your satisfaction. With this, I wish you a great rest of two quarters ahead for this year and wish all the best and your family good health. Thank you very much for joining us today. I would like PL to take over the call and conclude.

**Ms. Shweta Shekhawat - Prabhudas Lilladher Private Limited:**

- Thank you.

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

- Thanks a lot.

**Ms. Shweta Shekhawat - Prabhudas Lilladher Private Limited:**

- Thank you very much. On behalf of Prabhudas Lilladher Private Limited that concludes this conference. Thank you for joining us and you may now disconnect your line.

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

- Thank you. Thank you. Bye.

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