



Rajshree Polypack Limited H1 FY22 Earnings Conference Call November 22, 2021



**MANAGEMENT:- Mr. Ramswaroop Thard:-Chairman and Managing Director
Mr. Praveen Bhatia – Director
Mr. Sunil Sharma – Chief Financial Officer**

MODERATOR:- Ms. Shweta Shekhawat



Rajshree Polypack Limited Limited. H1 FY22 Earnings Conference Call November 22, 2021

The conference is now being recorded

Operator:

- Ladies and gentlemen, good day and welcome to H1FY22 Earnings Conference Call of Rajshree Polypack Limited hosted by Prabhudas Lilladhar 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. Shweta Shekhawat from Prabhudas Lilladhar Private Limited. Thank you and over to you Shweta.

Ms. Shweta Shekhawat: - Prabhudas Lilladher Private Limited

- Thanks Jacob. On behalf of Prabhudas Lilladher, I welcome you all to the H1 FY22 earnings call of Rajshree Polypack Limited. We have with us the management represented by Mr. Ramswaroop Thard – CMD, Mr Praveen Bhatia – Non Executive Independent Director and Mr. Sunil Sharma – CFO. I would now like to hand over the call to the management for opening remarks. And after that we can open the floor for Q&A. Thank you and over to you Sir.

Management -Rajshree Polypack Limited:

- Rs. 50.35 crores and H2 FY21, Rs. 76.73 crores, thereby achieving a growth of 96.4% on year on year basis, and 28.89% on H2H basis. Further the company has achieved EBITDA of Rs. 13.46 crores for H1 FY22, as compared to last year H1 FY21 Rs. 8.33 crores, and H2 FY21 Rs. 12.05 crores, thereby achieving growth of 61.58% on year on year basis and 11.69% on H2H basis. EBITDA margin of the company stood at 13.6% as against 16.55% of H1 FY21 and 16.71% of H2 FY21. At the same time the PAT of the company also improved to 4.91 crores per H1 FY22 as compared to 3.5 crores for H1 FY21. Thereby registering a growth of 40.48% on year on year basis. PAT margin for the period stood at 4.97% of sales as against 6.95% of sales for the corresponding period earlier year. We are happy to state that the demand continues to be robust across segments and geographies and accordingly we clocked our highest ever half yearly sales volume 4563 metric tons for H1 FY22 and expect this momentum to continue.
- Further it is my pleasure to share that we have received in principle approval from NSE for migration of shares of the company from SME to the main board. The company has also submitted the final distinct documents to NSE and we expect the final approval to be received soon.
- As informed in previous call, we have initiated the consolidation and modernization of unit 1 and unit 3 at Sarigam in Gujarat. The company will deploy an additional capex of Rs. 15 crores to improve production efficiency and profitability in the consolidation of the units. The progress is satisfactory and we expect to commence the commercial production by end of January '22. I will also like to inform that on tube laminates we have conducted the initial



trials. Results are encouraging and the validation process is under progress. We expect to commercialize this in the next 1 to 2 quarters. With this I would like to invite your questions.

Operator:

- Thank you very much. We will now begin the question & answer session. Anyone who wishes to ask a question may press star and 1 on your touch tone telephone. If you wish to remove yourself from the question queue, you may press star 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. A reminder to all participants, you may enter * (star) 1 to ask a question. Ladies and gentlemen, you may enter * and 1 to ask a question. A reminder to all participants, you may enter * and 1 to ask a question.
- The first question is from the line of Ankit Agarwal, from Yellow Stone Equities. Please go ahead.

Mr. Ankit Agarwal – Yellow Stone Equities:

- Hello?

Management - Rajshree Polypack Limited:

- Yeah hello?

Mr. Ankit Agarwal – Yellow Stone Equities:

- Hello thank you for the opportunity. My first question is regarding this unit 2. Has that been commercialized?

Operator:

- Sir your voice is breaking up.

Mr. Ankit Agarwal – Yellow Stone Equities:

- Okay. Hello, can you hear me now?

Operator:

- You are audible but still it is breaking in between. Could you come in network area please?

Mr. Ankit Agarwal – Yellow Stone Equities:

- Okay just a second. Hello?

Management - Rajshree Polypack Limited:

- Yeah Ankit now it is better.

Operator:

- Yes.

Mr. Ankit Agarwal – Yellow Stone Equities:

- Okay. So the first question is on the unit 2 commercialization. When did that happen and what is our total capacity now?

Management - Rajshree Polypack Limited:

- In June '21 we commercialized production of unit 2. And our capacity has increased on extrusion by 4000 metric tons. And in thermos forming, to 2550 metric tons.

Mr. Ankit Agarwal – Yellow Stone Equities:

- Okay. So the numbers, the capacity utilization numbers that you have mentioned in the presentation, that does not include the new capacities?

Management - Rajshree Polypack Limited:

- No, that does include the new capacity. So on the extrusion front that are half yearly numbers. So we are 6923 metric tons. The overall capacity of the extrusion is 14200 metric tons now with this expansion. Initially it was 10200 metric tons. But with addition of 4000 for the extrusion it is 14200 metric tons.

Mr. Ankit Agarwal – Yellow Stone Equities:

- Okay understood. Understood. So on this capacity, and with the unit 2 and unit 3 commercialization like the modernization and commercialization, do we expect capacity increase from that as well?

Management -Rajshree Polypack Limited:

- Yeah around 15 to 20% capacity of unit 1 and unit 3 as a whole will increase. So we are having at the moment roughly 50 crores of revenue generated from unit 1 and unit 3. So we can see an upside of 15-20% revenue after consolidation.

Mr. Ankit Agarwal – Yellow Stone Equities:

- Okay so another 5-10 crores of revenue is from that. Okay. So what is the annual average run rate of revenues with the new capacity we can assume like on an across cycle on a sustainable basis?

Management - Rajshree Polypack Limited:

- We can look at somewhere around 230 crores after the modernization of unit 1 and unit 3. All put together we look at 230 to 240 crores roughly on the upside.

Mr. Ankit Agarwal – Yellow Stone Equities:

- Okay. And this is with 100% utilization across capacities.

Management - Rajshree Polypack Limited:

- That is the available capacity.

Mr. Ankit Agarwal – Yellow Stone Equities:

- Okay, okay. And in terms of margins, what is your outlook?

Management - Rajshree Polypack Limited:

- In terms of margins we have been maintaining EBITDA of around 28000 metric tons for this H1 as compared to 26000 for last H2. Raw material prices have been increasing constantly but so we have been managing our EBITDA margin of 28000 which we expect to improve provided there is little softness in the raw material prices. We can see further improvement of at least 2000 to 4000 per metric ton in these EBITDA margin improvements.

Mr. Ankit Agarwal – Yellow Stone Equities:

- Okay. So right now I think the margins this first half the margins were quite low, that is because of the raw materials largely.

Management -Rajshree Polypack Limited:

- In terms of EBITDA, per kilo we have managed at 28000 per kilo. But since the base raw material also has increased in terms of percentage it may look like that.

Mr. Ankit Agarwal – Yellow Stone Equities:

- Okay, okay. So is the revenue growth also coming because of higher realization on the base of higher raw materials?

Management - Rajshree Polypack Limited:

- Yeah. There are two factors. The volume growth of H1 is 67% as compared to H1 '21 and volume growth is around 19% in H2 as compared to H1 '21. 6 to 7% in H1 is due to increase in the raw material prices as compared to H2.

Mr. Ankit Agarwal – Yellow Stone Equities:

- Right, right. And if raw material prices soften, then the realization will also soften a little bit. Is that fair or we tend to be sticky once they go up?

Management - Rajshree Polypack Limited:

- Yeah see, with the raw material prices going down, the margins definitely will improve slightly. Because with most of the customers we do have a mechanism to pass on the prices.



But around 15 to 20% customers where we do spot negotiation, there we will definitely benefit with the reduction in the raw material prices.

Mr. Ankit Agarwal – Yellow Stone Equities:

- Right, right. And in terms of percentage terms, is it fair to say that on a sustainable basis you can do like 16% plus EBITDA margins?

Management - Rajshree Polypack Limited:

- 16 plus/minus 1 is what we are looking at on a long term sustainable basis.

Mr. Ankit Agarwal – Yellow Stone Equities:

- Okay, okay. And sir you mentioned about the tube laminates. That is one of the new initiatives that you mentioned. What about the barrier packaging? Is there any like are we doing validation there? I know we were doing some sales efforts but I am not sure like what is the progress.

Management - Rajshree Polypack Limited:

- Yeah barrier packaging we have already introduced and we have already commercialized and started supply in the material. So we have generated revenue of 5 crores from barrier from June to September. And at the moment the line is utilized for both non-barrier and barrier. And over the period of time we will start as we add more customers, from the new line we will convert those non-barrier applications into barrier applications.

Mr. Ankit Agarwal – Yellow Stone Equities:

- Interesting. And you mentioned 5 crores that is per quarter?

Management- Rajshree Polypack Limited:

- Yeah that is in a quarter we have achieved that sales for barrier packaging because in June only we commercialized.

Mr. Ankit Agarwal – Yellow Stone Equities:

- Okay, okay. And if I may ask like what are the margins, how different are they from the 28000 metric tons you mentioned earlier from the normal one?

Management- Rajshree Polypack Limited:

- Yeah in barrier we look margin to be around 42000 per metric tons.

Mr. Ankit Agarwal – Yellow Stone Equities:

- Okay, okay. And tube laminates if you could guide like is this like a more specialized product? Do you expect higher margins here as well?

Management- Rajshree Polypack Limited:

- It is too early to say to mention about that. But because we are trying to bring in with a new technology. So if the validation process is through, definitely it should look at a better margin than what are the other average products.

Mr. Ankit Agarwal – Yellow Stone Equities:

- Okay, and on tube laminates what is the end user industry we are targeting? Is it beauty and personal care or something else?

Management - Rajshree Polypack Limited:

- Yeah. Cosmetic personal care is the major segment, that is what we are looking at. Oral care of course also we are looking at. So these are the two segments we will be looking at.

Mr. Ankit Agarwal – Yellow Stone Equities:

- Okay got it. And just one last question. We have some bio-friendly products as well. Is there any traction on that and what is the plan there?

Management -Rajshree Polypack Limited:

- For bio-friendly, we are already ready with the trials and we have the licenses available from city-city. We are approved. So we are just awaiting for the demand from the market to come for this particular category. And we are expecting that in the next 6 months to 1 year probably we will see a significant volume for us to allocate some capacity of our infrastructure for biodegradable products.

Mr. Ankit Agarwal – Yellow Stone Equities:

- Okay, okay. Okay I am just, if I may squeeze one more. I mean single use plastics there is been lot of regulatory issues. Obviously we have not been able...we are not affected by it because of we still don't fall under the radar. But what is your view? Like can the regulation become more stringent on this?

Management - Rajshree Polypack Limited:

- No in fact the central government has come up with a regulation which is clear now and it is already mentioned in its regulation that for next 10 years now there will be no change in this policy.

Mr. Ankit Agarwal – Yellow Stone Equities:

- Okay, okay, interesting. Okay great, thank you. That is all from my end. Best of luck.

Management - Rajshree Polypack Limited:

- Thank you.

Operator:

- Thank you. Ladies and gentlemen, you may enter star and 1 to ask a question. A reminder to all participants, you may enter * and 1 to ask a question. The next question is from the line of Ankit Agarwal from Yellow Stone Equities. Please go ahead.

Mr. Ankit Agarwal – Yellow Stone Equities:

- Hello? Thanks for the opportunity again. Actually just one more question. I now you mentioned like I mean right now we are in process of modernizing unit 1. But in future you are looking to diversify in terms of your geographical presence. So if you...do you have any location in mind and what is the future plan beyond unit 1 what is the future plan for expansion?

Management - Rajshree Polypack Limited:

- We are evaluating all the options. And it is in the discussion phase. So nothing has been finalized as yet. But going forward any further expansion probably we will try to look at a different geographical location. So it is in discussion phase. So as and when it concludes definitely I will let you know.

Mr. Ankit Agarwal – Yellow Stone Equities:

- Okay. And the reason why we are in this Daman region is because of the electricity cost benefits right? Or are there other advantages as well?

Management- Rajshree Polypack Limited:

- Daman has been hub for plastic processing units since long. Almost two decades. And we are also present there from last 15-18 years. So all the expansion has happened over there. There are many other advantages apart from electricity, availability of manpower, raw material, vicinity to the port, ability to reach north and southern markets because it is strategically located. So in 1000 km radius you can cover north-south. So there are many other advantages which are associated with that location apart from electricity of course. Which now I think so will – in previous years there were advantages of central sales tax and all. But now with GST coming in, everything is uniform.

Mr. Ankit Agarwal – Yellow Stone Equities:

- Okay, okay. Understood okay. And what is the time line in terms of moving to the main board? Like once you get let's say you get the principle, I mean you have got the in-principle approval but once you get the final approval, how long does it take to actually list on main board?

Management - Rajshree Polypack Limited:

- It depends upon NSE. So we have completed all the document submission what is to be done from our side. So I think so it is matter of time. We should be migrating very soon.

Mr. Ankit Agarwal – Yellow Stone Equities:

- Okay. So as soon as approval comes, you can start the migration process, and that is fairly quick. Like it can start in few days.

Management - Rajshree Polypack Limited:

- Yeah.

Mr. Ankit Agarwal – Yellow Stone Equities:

- Okay, okay. Thank you.

Operator:

- Thank you. Ladies and gentlemen, you may enter * and 1 to ask a question. The next question is from the line of Kiran Paranjpe, an individual investor. Please go ahead.

Mr. Kiran Paranjpe – Individual Investor:

- Hi, thank you for taking my call. I have two questions. One is regarding the operating margin or EBITDA margin. If I look at past couple of years, maybe around 2016-17, the EBITDA margin was 20% plus. But if I see last couple of years from 2019 FY20-21, the EBITDA margin around 14 or 15%. So I would like to understand going forward, where do you see the margin stabilizing? Will it be at 20% plus or will it be lower than that?

Management - Rajshree Polypack Limited:

- See the EBITDA margin if we see in terms of per kilo, we are around 28 to 30000 rupees per metric ton. So what happens with the increase in the raw material prices also the percentage may look a little different. And since we have increased our capacities now, so the overall cost will also come down as we scale up. So we see EBITDA margin in the range of 16% plus/minus 1% if we see in terms of percentage. In terms of per kilo, we look at somewhere around 30-32 thousand rupees per metric ton.

Mr. Kiran Paranjpe – Individual Investor:

- Okay, okay thanks. And my second question is more in terms of long term vision. If I see the growth of last maybe 6-7 years, it was in percentage terms at least on a value term, it was maybe around 5% or so. Now as we progress, we have started having concalls and started getting more confidence, adding more capex etc. So what kind of compounded annual growth rate you will be targeting for next say next 5 years in terms of top line?

Management - Rajshree Polypack Limited:

- At the moment, the first milestone which we will look as a company is to reach 300 crores. And once we reach that milestone longer one we will look at 500 crores. So that is the vision that the company has. So and we expect to achieve that in the next 3 to 4 years.

Mr. Kiran Paranjpe – Individual Investor:

- Okay so you are saying 300 crores in 3 to 4 years or 500 crores in 3 to 4 years?

Management - Rajshree Polypack Limited:

- 500 crores.

Mr. Kiran Paranjpe – Individual Investor:

- Okay in terms of vision, okay, okay great. And so 500 crores maybe I will say 5 years adding one plus additional year. And 16% EBITDA. Is that what you can look at?

Management - Rajshree Polypack Limited:

- Yes.

Mr. Kiran Paranjpe – Individual Investor:

- Okay, okay. And will that be in thermoforming only or you are looking beyond thermoforming to grow to this number?

Management - Rajshree Polypack Limited:

- No, at the moment we have clarity up to 300 crores. Above that we need to identify the business segments, whether it will be....but probably we will be into food packaging which is our strength. So it can be paper, it can be any other segment. So we are looking at all the options.

Mr. Kiran Paranjpe – Individual Investor:

- Okay. And the capital capex increase, will it be funded by debt only or are you thinking of diluting an equity?

Management - Rajshree Polypack Limited:

- We have not done the matrix as yet. It is too early. So....

Mr. Kiran Paranjpe – Individual Investor:

- Okay, okay. But in the past whenever you have added capex in the food grade. Right? Is my assumption correct?

Management - Rajshree Polypack Limited:

- Yes.

Mr. Kiran Paranjpe – Individual Investor:

- Okay, okay. Okay thanks. That is all my questions.

Operator:

- Thank you. A reminder to all participants. You may enter * and 1 to ask a question. The next question is from the line of Ankit Agarwal from Yellow Stone Equities. Please go ahead.

Mr. Ankit Agarwal – Yellow Stone Equities:

- Yeah hello sir. Just wanted to understand like what is the mix of exports for H1 FY22?

Management – Rajshree Polypack Limited:

- Around 8% roughly.

Mr. Ankit Agarwal – Yellow Stone Equities:

- Okay. And this is a big challenge in the historical averages right?

Management – Rajshree Polypack Limited:

- Yes.

Mr. Ankit Agarwal – Yellow Stone Equities:

- Okay and do you...I mean I saw that the attractiveness has increased because of the freight rates versus China and all. So do you – are you more focused on exports now?

Management – Rajshree Polypack Limited:

- 90% of our business still is domestic. But definitely we will try to focus on export markets. We are getting more enquiries from the international markets. Like post COVID people are looking to other sources apart from China. So we need to see how we are able to capitalize on all those enquiries.

Mr. Ankit Agarwal – Yellow Stone Equities:

- Okay. And our exports are mainly to Middle East? Is it fair to say that?

Management – Rajshree Polypack Limited:

- Yeah Middle East, UK, these are our countries where we are exporting.

Mr. Ankit Agarwal – Yellow Stone Equities:

- Okay. Okay, okay thank you.

Operator:

- Thank you. Ladies and gentlemen, you may enter * and 1 to ask a question. We have a follow up question from Ankit Agarwal from Yellow Stone Equities. Please go ahead.



Mr. Ankit Agarwal – Yellow Stone Equities:

- Yeah sir thank you for disclosing the top 10 customers. Just wanted to get a sense like have we added any....like of this top 10 are there any new customers? In general like what has been the traction in terms of adding new customers over the past half year or one year?

Management – Rajshree Polypack Limited:

- We generally add 6 to 8 new customers every year. Like we have been adding those. Barrier segment definitely we have added those customers. So we have been doing this on a regular basis.

Mr. Ankit Agarwal – Yellow Stone Equities:

- Okay. So 6 to 8 new customers. Okay and typically what is the like what is the approval cycle like? If you add a new customer, like how long do you work with them for their validation and inspection?

Management – Rajshree Polypack Limited:

- It depends on the application. Like some in some places the applications are not very critical maybe within 30 days. But the applications that are a little critical can go up to 3 months to 4 months. And if it is a completely greenfield project or a brown field project even for the customer, then it may go a little more longer from 6 to 9 months.

Mr. Ankit Agarwal – Yellow Stone Equities:

- Got it, got it. And in terms of concentration like top 10 customers, how much revenue would they represent?

Management – Rajshree Polypack Limited:

- 45%.

Mr. Ankit Agarwal – Yellow Stone Equities:

- 45%. Okay. Okay. Okay that is very helpful. Thank you so much.

Operator:

- Thank you. The next question is from the line of Kiran Paranjpe, an individual investor. Please go ahead.

Mr. Kiran Paranjpe – Individual Investor:

- Yeah thank you for taking my call. Just a quick comment I would say. As you guys are getting ready for main listing you will have to disclose your results on a quarterly basis. Right?

Management – Rajshree Polypack Limited:

- Yes.

Mr. Kiran Paranjpe – Individual Investor:

- So in that case my suggestion would be, even if that approval doesn't come, will it be any problem for you guys to start disclosing quarterly results? Because right now what happens is that an investor will have to wait for 6 months to understand what is happening in the company. I think this was discussed in last concall also that now almost 6 months have passed and we are still awaiting main board listing. So in the meantime I think it would be great if you guys started disclosing on your own although it is not mandatory, till the time you come on main board. But if you start disclosing quarterly results and start holding at least concall at least, investor presentation, I think that would be great in terms of information sharing with the rest of the investor community.

Management – Rajshree Polypack Limited:

- Definitely Kiran. I think so we will definitely get approval. It is a matter of time. And by – because we still have more number of days to go. And quarter 3 results definitely will be declared on quarterly basis.

Mr. Kiran Paranjpe – Individual Investor:

- Okay, okay, thanks a lot. That will be great. Thanks.

Operator:

- Thank you. Ladies and gentlemen, you may enter * and 1 to ask a question. A reminder to all participants, you may enter * and 1 to ask a question. Ladies and gentlemen you may enter * and 1 to ask a question. As there are no further questions from the participants, I now hand the conference over to the management for closing comments.

Management – Rajshree Polypack Limited:

- I would like to thank you all for participating in this earnings' call. Stay safe, stay healthy, thank you.

Management – Rajshree Polypack Limited:

- Thank you, thank you. Bye.

Operator:

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

***END OF TRANSCRIPT**