



Rajshree Polypack Limited Q4 FY22 Earnings Conference Call June 8, 2022



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

MODERATOR:- Ms. Shweta Shekhawat

Rajshree Polypack Limited. Q4 FY22 Earnings Conference Call June 8, 2022

The conference is now being recorded

Operator:

- Ladies and gentlemen good day and welcome to the Q4 FY22 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 * 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 Lilladher Private Limited. Thank you and over to you Mam.

Ms. Shweta Shekhawat – Prabhudas Lilladher Private Limited:

- Thanks Rutuja. On behalf of Prabhudas Lilladher, I welcome you all to the fourth quarter FY22 earnings call of Rajshree Polypack Limited. We have with us the management represented by Mr. Ramswaroop Thard, the Chairman & the Managing Director and Mr. Sunil Sharma, the CFO. I would now like to hand over 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 & Managing Director, Rajshree Polypack Limited:

- Thank you Shweta. Good afternoon everyone. I welcome you all to earnings call of Rajshree Polypack Limited for Q4 FY22. Joining me on call is Mr. Sunil Sharma, the CFO of this company. We have already uploaded the investor presentation and hope that everyone got opportunity to go through the same. For the financial year 21-22, the overall turnover of the company stood at ₹198.56 crore, for the year as against ₹127.07 crore for financial year 20-21, thereby showing the growth of 56.25% over previous year. At the same time, EBITDA of the company stood at ₹26.99 crore for the year as compared to ₹20.89 crore for the earlier year and increase of 29.21% over previous year. Further profit after tax of the company for the year was higher by 7.55% and stood at ₹ 9.55 crores as against ₹ 8.80 crore for earlier year. For quarter 4, FY22 the company has achieved turnover up ₹51.49 crore as against turnover of ₹ 46.18 crore for corresponding quarter of previous year thereby achieving growth of 11.48%. However, the EBITDA of the company was down by 12.75% at ₹ 6.39 crore for quarter 4, FY22 as against ₹ 7.32 crore for corresponding period earlier year. EBITDA margin of the company for the quarter stood at 12.42% as against 15.86% for the corresponding period of the previous year.
- The financial year 2021-22 was tough year for plastic packaging industry on account of high inflationary pressure, soaring raw metal prices, and geopolitical situation while the company started the year with average purchase of raw material at the price of ₹92 per kilo. The company ended the year with the average purchase cost of ₹123 per kilo of the raw material that's almost

an increase of 34% in the prices of the raw material. Such unprecedented increase not only creates margin pressure, but also strains in capital resources as well. However, we can confidently say that the company with its strong industry and financial positioning has been able to combat such pressure and has reported reasonably good growth for the year. Further considering overall industrial and demand scenario, we are reasonably confident that the company shall maintain the growth momentum in near future while working on improving its margins as well. We are glad to invite your kind attention to the fact that company has successfully completed consolidation and modernization of unit 1 and unit 3 at Umbergaon, Gujarat and all the request machines have been procured or moved to the new unit. This project apart from bringing in cost and production efficiency has also resulted in addition capacity of 500 MT per annum of extrusion and 250 MT per annum of thermoforming. Company has invested ₹13.5 crore approximately in the project, which was funded to a mix of term loan and internal accruals.

- Further company is also added to new printing machines with total printing capacity of ₹ 12 crore cups per annum, one each during March 22 and May 22.
- At the same time, it will be great pleasure in announcing that company has taken the first step in entering sustainable packaging business by entering into joint venture by the name Olive Ecopak Private Limited with Gandhi family of Oracle Group. Rajshree will be holding 50.10 of equity share capital of Olive Ecopak. Olive Ecopak will be manufacturing sustainable packaging products more particularly for beverage and take away containers for food service industry and QSR. Olive Ecopak has already purchased 12.8 acres land at Umbergaon, Gujarat for setting a plant and is currently in process of finalizing the construction plan. This project will have investment of ₹105 crore including working capital and will be funded through mix of equity and debt. This project will have production capacity of 12,000 MT per annum approximately. Overall Olive Ecopak expect to commence commercial production from 1st October, 2023.
- Talking about developments and products side company supplied the first order of tube laminates in the third quarter from the customer in cosmetic industry and started receiving repeat orders and the initial order size is small, company expects the cosmetic industry to be one of the significant customer base in next two to three years as company shall develop trust with multiple players in the industry. In case of food packaging, we have done successful trials with many food brands for our barrier package products and I'm glad to announce that we have got successful result and encouraging results with various customers and we are getting repeat orders.
- Company has also developed and replaced an import substitute of dairy creamer packaging for one of the largest dairy brand in India. Considering the overall customer feedback and market response, company expects barrier packaging to bring in another significant contribution to the growth of the business. Further in order to capture the overall requirement of the customer and providing one stop solution under one roof, we have also developed ceiling and leading laminates for packaging industry. Looking at the customer side, company is on boarded more than 65 customers primarily from food packaging industry in the last quarter.

- At the same time, we have appointed 2 distributors, one in Dubai and second in northern India with major trust on barrier packaging to increase the shelf life of the food.
- With this the company has started receiving some orders of barrier packaging from Middle East market also. With the potential that our products have, we expect to increase export revenues in coming years by having more distribution channels.

With this, I would like to invite your questions.

Operator:

- Thank you very much. We will now begin the question and 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.
- The first question is from the line of Ankit Agarwal, from Yellow Stone Equities. Please go ahead.

Mr. Ankit Agarwal – Yellow Stone Equities:

- Yeah, hello. Thank you for taking my question. My first question is on the JV that we did with Olive Ecopak, you mentioned you will be doing some products around for beverages for the QSR industry. Are we also planning to do products for disposables like disposable cutlery because I've seen in the marketplace lot of a lot of such products -- sustainable products made out of corn etc. are coming up, so just wanted to get a sense if we are also going to do that.

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

- Yeah. Hello Ankit yeah, so basically Olive Ecopak will be focusing more on paper based packaging with sustainable coatings which will include cutlery and ridges and take away containers. Coming to products which are in plastic category, Rajshree already is doing some small manufacturing for PLA corn based material and we have registered CPCB approved manufacturer for making compostable products.

Mr. Ankit Agarwal – Yellow Stone Equities:

- Right, right. Okay, okay. I think I saw sugarcane based product. Sorry I said corn based, but I think bagasse based products were also there.

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

- Bagasse is another third category of material which Olive may consider over a period of time. So at the moment we are focusing more on paper, but going further Olive may consider bagasse based products also.

Mr. Ankit Agarwal – Yellow Stone Equities:

- Okay interesting. All right and we've done joint venture with the Oracle Group which already seems to be having business in the packaging similar to us, just want to get a sense like what prompted us to partner with Oracle Group rather than doing it on our own and apart from capital contribution what other value add will the other promoter bring to the table.

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

- See basically as we mentioned they are already into foodservice industry from last 15-18 years, so they have also a strong business network with 150+ channel partners across major cities of India and also they have good export channel in the USA, UK, Australia, New Zealand, and other Middle East countries, so just helps us in joint venture in a combination of strength by the two parties, I think de-risk the business investment, so it increases the strength and brings lot of value to the joint venture.

Mr. Ankit Agarwal – Yellow Stone Equities:

- Okay, okay, understood. Okay another question is around the barrier packaging. Is it possible to give like what kind of revenues in Q4 we received from barrier packaging and what is your vision like how much of the revenues can come from barrier packaging going forward on a sustainable basis.

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

- For the full year, we did approximately 5% of the revenue of the barrier is coming -- the barrier revenue is there for the full year and going forward since we have done only nine months in this financial year, so we expect it to grow to 10% to 15% in coming year and actually we expect this to grow up to 20%-25% of the overall revenue.

Mr. Ankit Agarwal – Yellow Stone Equities:

- Understood, understood, interesting and how does the EBITDA pattern differ from the regular products for barrier packaging, what is the differential.

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

- For normal products we are in the range of ₹29 to ₹30 per kilo. For barrier packaging, this goes up to ₹45 to ₹48 rupees per kilo.

Mr. Ankit Agarwal – Yellow Stone Equities:

- Okay, great, great and similar question for tube laminates, how much of the revenue it represents currently where can it go and what are the (*unclear*) how is the margin profile different from regular products.

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

- As mentioned, I mean like for tube laminate, we just did the small supplies in Q3 and gradually we are increasing the customer base as the validation period is little higher. The margin remains same as of the barrier packaging range, so we expect at least 3% to 5% revenue in this year coming from tube laminate, which can gradually grow. The potential is very big for tube laminates as most of the companies have to move away from multilayer materials to mono materials or materials which are recyclable, so it definitely gives a good opportunity to actually get a substantial share in this segment once we have a proper validation of our material.

Mr. Ankit Agarwal – Yellow Stone Equities:

- Understood, understood, great, great. Thank you so much for answering all my questions and best of luck.

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

- Thank you.

Operator:

- Thank you. The next question is from the line of Gurjot Ahluwalia, individual investor. Please go ahead.

Mr. Gurjot Ahluwalia -- Individual Investor:

- Hi. Thanks for the opportunity. I just have a couple of questions. So one on the joint venture, the total investment that is mentioned in the presentation is around ₹105 crore including working capital and I think you just mentioned this commercial production will start from next year 1st October, 2023. So what kind of revenue potential do we expect based on this investment and what kind of EBITDA margins should this be.

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

- Yeah, so the full revenue potential is around ₹ 200 crores. The first phase of investment what we are going to do is we can look at revenue of around ₹ 200 crores with EBITDA margin of around 15% is what we are looking at.

Mr. Gurjot Ahluwalia -- Individual Investor:

- So this is almost like the similar guidance which we have given on a standard business around 15% EBITDA margin.

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

- Yeah.

Mr. Gurjot Ahluwalia -- Individual Investor:

- Okay, great and second question is around for fixed asset turnover. This is for FY22, 2.12 based on our fixed assets, but couple of years back this saw at 2.75, 2.8X, so can we expect it to go back to those levels with our current capacity.

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

- Yeah, this was a small addition definitely we look this to go beyond 2.5 maybe in this year.

Mr. Gurjot Ahluwalia -- Individual Investor:

- Okay and since there's also been some sort of upgrade in unit 1 right, so will that also help increase that

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

- Yes, definitely. It will, it will help us in as mentioned that we have also increased our Extrusion capacity little bit, forming capacity, and printing capacity, plus the consolidation will help and the infrastructure available is such that we can add more machines if the demand is there in a short span of time and we can increase our capacity.

Mr. Gurjot Ahluwalia -- Individual Investor:

- Okay, okay. Thanks and just one last question around dividend policy, so is there any specific sort of thought process in terms of dividend payout that company wants to maintain or is it just based on whatever investments or CapEx needs to be done post that any dividends will be paid out.

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

- I think the board will take decision on this maybe in the next board meeting probably a decision will be taken on dividend.

Mr. Gurjot Ahluwalia -- Individual Investor:

- Okay, no I'm asking because last two years I think the company was paying dividend, I don't think it was announced this year, so that is what I am trying to understand is there a policy for dividend or you will create that policy going forward.

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

- Ideally, we will prefer to continue with our legacy, but at the end of the day it's the decision of the board, so probably the board will take a call on this and in the next board meeting we have this agenda and we'll take a call on that.

Mr. Gurjot Ahluwalia -- Individual Investor:

- Okay. Thanks, thanks. I'll come back in the queue if I have any questions.

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

- Thank you.

Operator:

- Thank you. Participants who wish to ask a question may press star and 1. Now anyone who wishes to ask a question may press star and 1 now. Ladies and gentlemen to ask a question you may press star and 1. The next question is from the line of Gurjot Ahluwalia, an Individual Investor. Please go ahead.

Mr. Gurjot Ahluwalia -- Individual Investor:

- Yeah, thanks again. So just wanted to check if you have or want to share any guidance for FY23 for revenue or EBITDA margin.

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

- Yeah for FY22-23 for Rajshree we expect 20% to 25% growth with EBITDA margins around 15% to 16% provided we don't have much further inflationary pressure on raw material. I hope pandemic is behind us now and we don't expect any much turbulence on this front. So this quarter also has been very good in terms of growth, so the demand from beverages, ice cream industry has been very strong and buyout so if this continues this way, we definitely see growth of 20% to 25%.

Mr. Gurjot Ahluwalia -- Individual Investor:

- Okay just on the EBITDA margin guidance you said 15% for this financial year, but see Q4 also EBITDA margin was around just 12.4%, so I mean given the raw material inflation and those kinds of challenges are you confident that for full year we will be able to maintain 15%.

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

- Yeah, there are two things, in Q4 first of all the raw material prices have increased almost 5-6 times, so the overall increment we were not able to pass on to the customers because there is always some lag of month or a quarter, so particularly we could see Q4 was down in terms of EBITDA, but overall we are in the range of 13.5% to 14% and with improvements in the scale

of the operation, we expect our expenses to go down by 100 basis point and expecting that with our raw material management and even if, so it just remains at around 63% we could maintain EBITDA of 15%.

Mr. Gurjot Ahluwalia -- Individual Investor:

- Okay, thanks, thanks a lot for answering all the questions. Thank you.

Operator:

- Thank you. Ladies and gentleman to ask a question you may press star and 1. Reminder to the participants anyone who wishes to ask a question may press star and 1. Participants who wish to ask a question may press star and 1. As there are no further questions for participants, I now hand the conference over to the management for closing comments.

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

- Thank you Shweta. Thank you everyone for asking your questions. I hope I have been able to answer to your satisfaction. Wishing you all the best and good health to everyone. Thank you for joining us today. Now I will have PL team to take over the call and conclude.

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.

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

- Thank you.

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