



"Mamata Machinery Limited

Q3 & 9M FY25 Earnings Conference Call"

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Moderator: Ladies and gentlemen, good day and welcome to the Mamata Machinery Limited Introductory 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 the conference call, please signal an operator by pressing * then 0 on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Sayam Pokharna from TIL Advisors. Thank you, and over to you, sir.

Sayam Pokharna: Thank you, Rituja. Good afternoon, everyone, and thank you for joining us in this introductory conference call of Mamata Machinery. To take us through the company and the results, we have with us from the management team, Mr. Apurva Kane, Chief Executive Officer; Ms. Madhuri Sharma, Company Secretary, Compliance Officer and Chief IR Officer. Unfortunately, due to a last minute emergency, our Chief Financial Officer, Mr. Dipak Modi couldn't join this call.

We will begin the call with a brief overview of the company and on the latest financial performance from Mr. Kane, followed by a Q&A session. Please note that any forward-looking statement made during this call should be considered in conjunction with the risk and uncertainties that we face. These risk factors have been detailed in our prospectus document. With that, I would now like to hand over the call to Mr. Kane. Over to you, sir.

Apurva Kane: Thank you, Mr. Pokharna. Good afternoon, ladies and gentlemen. On behalf of Mamata Machinery Limited, I, Apurva Kane, extend a warm welcome to our maiden investor conference call. Today marks a significant milestone as we open this forum to engage directly with our valued stakeholders. Since this is our first call, I would like to start with a brief overview of our company.

Since commencing operations in 1989, Mamata Machinery has evolved into a global brand in flexible packaging machinery solutions, now celebrating 37 years of innovation and excellence. We began with designing and manufacturing bag and pouch making machines, a vertical where we hold a dominant market position. Over the decades, we have expanded our portfolio to include packaging machines and co-extrusion blown film machines, addressing diverse flexible

machinery needs across 75 countries. Till date, we have delivered over 4,500 machines worldwide, a testament to our engineering prowess and customer trust.

As an R&D driven organization, we pride ourselves on pioneering advancements such as world's fastest non-woven bag and back seam maker and the ultrafast 200 cycle vertical form Fin/Lap-seal machine as well as world's first HFFS simplex machine with 120 cycles. At present, we hold 4 patents in India and internationally as a result of our sustained R&D function. These are some of the innovations that Mamata has delivered which underscore our ability to set industry benchmarks while catering to evolving market demand.

Our R&D investments and customer centric approach ensure that we remain agile in responding to global trends from sustainable packaging mandates to automation in manufacturing. While our product categories, packaging machines is a high growth domain where we are expecting to grow beyond our existing markets in India and United States to newer market in Europe, Africa and Middle East. Packaging machines will be a key incremental growth driver for the company. Over and above the growth we do in our established bag and pouch making and co-extrusion vertical.

Geographic diversification remains our central strategy. Currently 65% to 70% of our revenues originates from exports supported by international offices in Bradenton, Florida and Montgomery, Illinois, along with a network of sales agents across five countries in Europe, South Africa, and Asia. This infrastructure enables us to deepen market penetration while exploring new frontiers in regions like Middle East where demand for advanced packaging solutions is rising.

Turning to our financial performance, I would like to address some investor queries we have received on this front. First of all, I would like to emphasize that our revenue from operations is not evenly distributed across four quarters. The delivery of machinery solutions is inherently seasonal and lumpy, which contributes to uneven distribution across the four quarters. In fact, Q4 is typically our strongest quarter followed by Q3. Going by historical data, we generally report 65% to 70% of our annual revenues in the second half of a financial year. This inherent skew towards H2 is expected to slightly increase this year.

As of 9 months FY25, our revenue from operation stands at Rs. 143.54 Cr compared to Rs. 148.25 Cr in 9 months FY24 showing a marginal decrease of 3%. However, we anticipate making up for this in the coming quarter to achieve our annual growth target of approximately 18% to 20%. I would also like to state that we expect some order spillover from the current financial year to Q1 of FY26 estimated at about 35 Cr. This was due to late order intake and delays in completing certain orders within FY25 as initially planned. Our year to debt EBITDA margins are at 15% as compared to 16.4% nine months FY24 resulting in a 9 month FY25 PAT of Rs. 13.6 crores as compared to 14.7 crores in the previous year.

With that said, I would now like to open the floor for questions.

Moderator: Thank you very much. We will now begin the question-and-answer session. Anyone who wishes to ask a question may press '*' and '1' on the 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 Prateek Bhandari from Art Ventures. Please go ahead.

Prateek Bhandari: Thanks for the opportunity. You gave the guidance that we would be clocking a revenue of Rs. 300 crores for FY25 and in the nine months FY25 we have up till now done Rs. 143 odd crores. So do you feel confident that this, the difference we would be able to achieve in the fourth quarter, round about 52% of revenue?

Apurva Kane: We will, our Q4 is always the strongest and we are on track to deliver between 18% and 20% growth.

Prateek Bhandari: In terms of revenue?

Apurva Kane: In terms of revenue.

Prateek Bhandari: Alright. And what would be the steady state margins?

Apurva Kane: We are able to maintain our margins as compared to previous year.

Prateek Bhandari: Can you quantify the number?

Apurva Kane: If you look at our published figures for nine months FY24, we have generated margins that are close to about 58%.

Prateek Bhandari: EBITDA margin is 58%? No. This is contribution.

Apurva Kane: EBITDA margin we have maintained at about 15%.

Prateek Bhandari: So going ahead we can assume this to be the steady state margin?

Apurva Kane: Yes.

Prateek Bhandari: Sir, also you mentioned that we were planning to do 300 machines for FY25. So in the 9 months FY25 what quantum we have done?

Apurva Kane: We have done about 150 machines in 9 months.

Prateek Bhandari: So we would be able to do the complete 300 as stated or there would be some deviations?

Apurva Kane: There might be some spillover to next financial year.

Prateek Bhandari: So the quantum of order you mentioned for Rs. 35 crores that would be spilling over the first quarter of FY26.

Apurva Kane: Yes.

Prateek Bhandari: So what would be the quantum of machines in context of that for Rs. 35 odd crores?

Apurva Kane: That will be approximately 25 machines.

Prateek Bhandari: For this 35 crores?

Apurva Kane: Yes.

Prateek Bhandari: Alright. And just one last question. You mentioned that the packaging machine vertical of ours looks to be the strong growth driver going ahead. So can you tell me the name of our competitors in the same segment? And you also mentioned about the geographies apart from India that you are keen on more areas like Europe and US. So how is this panning out now and how you are looking at it from 2 to 3 years down the line this particular segment, packaging machinery?

Apurva Kane: So I will answer the first question first which is about competition. Within India our competitors are Indian companies like Pakona. There are companies like Nichrome. And then there are some imported machines which come from companies like Mespack and Bossar. But I think this data has been provided in our RHP. All I can say is that no new competition has emerged since we filed our RHP.

Prateek Bhandari: And about the second question?

Apurva Kane: Your second question was about?

Prateek Bhandari: About how do you see the demand for this particular segment and the geographies you are willing to touch upon?

Apurva Kane: So the geographies that we are willing to touch upon, we have completed our market study and we have narrowed down strategically on certain countries within those geographical areas. And we have started visiting those countries and we have started exploring those markets.

Prateek Bhandari: Alright, and just one last question sir. Can you quantify the margin ranges for all the three verticals of ours?

Apurva Kane: Even that is a part of our RHP and there is no change. The margin range is from 42% to 52%.

Prateek Bhandari: 42%?

Apurva Kane: I'm talking about consumption of raw materials. When you say margin, that is the raw material consumption, correct?

Prateek Bhandari: No, I am talking about the EBITDA margins for the different verticals. Can you quantify what margins are you making in bags and pouches and packaging and the extrusion?

Apurva Kane: EBITDA margin is derived on company basis and it is not derived on product basis.

Prateek Bhandari: Right. Okay, sir.

Moderator: Thank you. The next question is from the line of Mosam Shah from Wealth Guardian. Please go ahead.

Mosam Shah: I just wanted to know what is the R&D as a percentage of sale?

Apurva Kane: R&D as a percentage of sales is sustained at between 5% and 7% of our topline which is also mentioned in our RHP.

Mosam Shah: Okay and sir is there any particular reason apart from the logistic expense that we have higher realization in exports as compared to domestic sales? I think if I am not wrong it is almost 3x.

Apurva Kane: It is not 3x. But it is a pricing strategy based on our strengths in given market.

Mosam Shah: Okay. And do we track market share within India and globally?

Apurva Kane: Our traditional business which is bag making and pouch making as well as extrusion machinery business is extremely fragmented and no primary data is available which would enable us to track this.

Moderator: Thank you. The next question is from the line of Dolly Choudhary from Niveshaay. Please go ahead.

Dolly Choudhary: Thank you for the opportunity, sir. I just have a few questions. First of all, I wanted to understand on our current facility, what is the peak revenue and peak volume we can do?

Apurva Kane: We have defined our current facility in terms of machine manufacturing capacity based on the current ratio of various products that we have. This is also part of RHP and approximately number of machines that we can produce today in our facility is between 350 and 375.

Dolly Choudhary: So, as we are targeting around 300 machines already, are we planning to expand the facility anytime soon?

Apurva Kane: Yes, we are.

Dolly Choudhary: So, what expansion plans are we having?

Apurva Kane: We will announce them once our board has decided on it.

Dolly Choudhary: Okay, and sir, what would be around the order book position as of now?

Apurva Kane: Our order book position as of now is approximately Rs. 145 Cr.

Dolly Choudhary: And which is executable in how much period?

Apurva Kane: It will be executable in up to 31st March and then a spillover into Q1 of next financial year.

Dolly Choudhary: Okay, sir. And just last question. So like, we are like hearing the news that EPR norm is coming soon in plastic recycling and packaging industries. Like all our machines are, do we need to tweak anything on all our machines according to the recycling norm?

Apurva Kane: That is the strength of our products. As the packaging industry and the brand owners move under EPR from non-recyclable packaging to recyclable packaging, the films that are required to be used for recyclable packaging, all our machines have inherent capability to use those films. And that is since many years, and that is a huge opportunity for Mamata.

Dolly Choudhary: Thank you, sir. That will be all. Thank you so much and all the best.

Apurva Kane: Thank you.

Moderator: Thank you. The next question is from the line of Vishal Kumar, an Individual Investor. Please go ahead.

Vishal Kumar: Sir, my question is regarding the long term perspective of our company. How do we see our company growing from here in next 3 to 5 years? And what kind of margins will we be maintaining?

Apurva Kane: We normally work on a shorter horizon than five years, but I can tell you that we will continue to maintain an upward trajectory of at least 25% growth over the next few years.

Vishal Kumar: Sir, but this year we have guided for 18% to 20% of growth.

Apurva Kane: So, that is what I mean 18% to 20% is the range.

Vishal Kumar: Sir, you mentioned about entering into Europe and US. So how do you see it unfolding because recently the US president has announced for the reciprocal taxes. So how do you see it? How it is going to affect us as a company?

Apurva Kane: We are operating in the US through our whole US-based subsidiary since 2004. So, the market is not new to us, neither are the customers new to us. As far as reciprocal taxation is concerned, it has not yet been announced. Intention to do that has been announced. As per the reports that at least I have read in the newspapers, currently India as well as USA, both the governments are engaged in working on some kind of protocol for tariffs and we will know when it is concluded. It is, I think we have been given time till early April if I am not wrong.

Vishal Kumar: Okay, sir. And sir my last question is, how our company is...

Apurva Kane: Another thing is that, our machines as of date when they are imported into USA attract about 3.1% duty.

Vishal Kumar: Okay sir.

Apurva Kane: Right. While China has already say, it has been implemented that China has to pay 10% extra.

Vishal Kumar: Right sir.

Apurva Kane: And USA will be importing, the US manufacturers we will be importing a lot of stuff from China which will attract higher duty. So I don't think our competitive edge will be blunted in any way.

Vishal Kumar: And my last question is, you mentioned about growing by 20% for the next couple of years. So can you please mention what kind of steps we are taking in all three verticals of this growth guidance?

Apurva Kane: There are two things that we are doing, and that has been historically our strength. One is development of innovative products. So we do have a pipeline of new development as far as machines is concerned and the second is our emphasis on developing new markets. So for packaging machines I have already read it out that we are looking at Middle East, Africa and Europe as a market where we already are present for our bag making and pouch making machines.

Vishal Kumar: Thank you so much, sir. All the very best for your future.

Apurva Kane: Thank you.

Moderator: Thank you. The next question is from the line of Digant Haria from GreenEdge Wealth. Please go ahead.

Digant Haria: Thanks for the opportunity. Sir, my first question is on, our last three years that, if I see our revenue in March 22, March 23 and March 24, like we had a sort of flattish period, these three years. And now if we look at the FY25 guidance, to meet that guidance, in the March quarter we will have to do something like Rs. 140 crores-Rs.150 crores of revenue. And if we have to grow 20% for this year over March 24 year, just if you can explain you know why those 2-3 years were slow and what has ensured that we will grow at 20% now after the IPO?

Apurva Kane: First of all if I remember, because I don't have those papers in front of me of previous three years, but RHP clearly shows that I think we went from about Rs. 197 crores to Rs. 204 crores and then onwards to Rs. 236 crores. So that is what on consol basis we have achieved. Now the current guidance is based on the order book that we have on hand. As I already mentioned, we have an order book on hand that is around Rs. 145 Cr.

Digant Haria: Right, I understand sir, but something should have gone right for us, is it like the industry demand is more or we have got breakthroughs in more countries, or we have done some more products. What is it that, because 20% growth from this base again, it will need something different to happen or it's just our sales efforts which are helpful?

Apurva Kane: It is like we have said in our RHP also, that the driver for growth for us is going to be packaging machines. Now that is relatively a new business for Mamta and as we gather momentum, we see this growth.

Digant Haria: Okay, and sir then my second question is on the manufacturing. What components or what part of our machines do we make in house and is there any component which we make it through vendors or get it imported from somewhere?. Like, so if let's say a machine is worth 100, what percentage is completely in-house made and what do we like buy? Like, maybe the electric circuit boards or any high value components which we don't make, which we have to buy from somewhere else?

Apurva Kane: As far as manufacturing is concerned, we follow automotive model of manufacturing and our manufacturing process is also mentioned in our RHP. We do not manufacture mechanical components in-house however the software that is inherent part of the control is done completely in-house. So what we do is that we design and then we have an ecosystem of nearly 250 vendors which produce components as per our drawing and as per our quality standards and supply those components to us. The control part and the software that is required to operate the machine is completely done in-house. That is not a third-party solution.

Digant Haria: Okay, and I heard previously a response to another participant that our EBITDA margins or our operating margins will remain in the 16% band, right? So last year we had 20% margin. FY23-24, financial year 2023-24, we had 20 but you are saying that 16 is a more stable run rate to expect, right?

Apurva Kane: I said that currently we are at 15%.

Digant Haria: When you say currently, because the quarterly variations are very high. So when you say current we are at 15%, what do you mean like is it for full year FY 25 that we will have 15% or?

Apurva Kane: So for this 9 months FY25 we have maintained EBITDA of 15%. Now previous entire year the EBITDA was 21%. And when we close the quarter, we will know exactly where we fall but considering that we are maintaining upward growth, I think we should be somewhere near that figure.

Digant Haria: Which means the last year's figure, right, the 20%-21% range?

Apurva Kane: Correct.

Digant Haria: And then sir, what is it in our business that we are so heavy on the second half? Like, I can see that, in June and September, our revenues are very small and then in December and March quarter, our revenues spike up a lot. So what is it in that industry or?

Apurva Kane: I think it is nature of the beast. What happens is that what we have observed, I'll give you an example that if we look at US markets, then traditionally the people there go on vacation once a year and that happens in June & July. So most of them are out. So decision making slows down and your order intake drops. And when they come back, there is this period between August and November, that is when the orders are placed on their suppliers. If we look in India, what happens is that if a machine is not taken delivery of by 31st of March, then normally delivery is deferred till their books, of my customers books of accounts are closed and only then the banks will do disbursement based on new audited figures. So then you end up holding on to inventory till maybe July or August and then it starts. So when you look at it basically quarter one ends up being very slow, quarter two becomes better, quarter three becomes even better and quarter four is basically madness.

Digant Haria: Got it. Okay, I get it, sir. Thank you. And the last question is on the working capital. Like I see that we get a lot of advances from our customers. So is it a part of policy that to keep our working capital under control we demand some advance from customers who place orders or is it only few customers from whom we can take advances and for others we don't anything that you can highlight and are there any room to improve the working capital position?

Apurva Kane: In machinery business it is a practice to take advance from customers against orders because these are high value items, you cannot build inventory without advance. And every customer pays in advance or in case of exports, they will open a LC that is 100% payable against dispatch. So that the money part is assured at the time of dispatch. So, cycle time and testing. Second thing is that there is also some credit available from our suppliers and we use it to our advantage.

Digant Haria: Okay, got it. And there's one previous lady she asked the question that we can make 370 machines at max. So what can be the total revenue out of that 370 machines which we can make in our current factory?

Apurva Kane: I would only be guessing if I was to say that because it would depend on what kind of machines. We make machines and the product mix because there are machines where the sales price is hardly 15 lakhs and then there are machines where the sales price is nearly Rs. 9 crores.

Digant Haria: Okay.

Apurva Kane: It entirely depends on a product mix.

Digant Haria: Okay, I get it. Thank you so much. All the best and thank you.

Apurva Kane: Thank you.

Moderator: Thank you. The next question is from the line of Maitri Shah from Sapphire Capital. Please go ahead.

Maitri Shah: You mentioned you are developing some new products. Any new products in pipeline for next year?

Apurva Kane: Yes.

Maitri Shah: Could you mention like market we are targeting for the new products and what the average realization can be?

Apurva Kane: These are strategic decisions and at this point in time unless we launch the product, we would not like to talk about them.

Maitri Shah: Okay and for the revenue guidance you gave around 18%, for quarter four we have to kind of get around Rs. 150 crores of revenue, is that possible?

Apurva Kane: Yes, it is.

Maitri Shah: And with 19% EBITDA margin, the quarter for margins are upwards of 25%. Is that also possible?

Apurva Kane: I never said that.

Maitri Shah: You said you would maintain the FY24 margins, right? For 2025 as well?

Apurva Kane: I will have to backward calculate because the margins are based on what is the product material.

Maitri Shah: So what kind of EBITDA margins are we looking for this year and maybe next year as well?

Apurva Kane: We should be able to maintain our EBITDA margin as a percentage.

Maitri Shah: 19%?

Apurva Kane: Yes.

Maitri Shah: So that is showing around 26% margins for before this quarter. Is that?

Apurva Kane: You're taking a weighted average, right?

Maitri Shah: Yes.

Apurva Kane: Maybe your mathematics is correct, ma'am.

Maitri Shah: And we have Rs. 145 crores of order, out of which Rs. 35 crores will be spilled over for next year. So that is around 110 crores of order book. So when are we getting the rest Rs. 20 crores- Rs. 25 crores of order for revenue generation for this fourth quarter?

Apurva Kane: The order book that I mentioned is as on 15th of February.

Maitri Shah: That is Rs. 145 crores.

Apurva Kane: The dispatch figures that we have published are as on 31st of December. So there was dispatch that occurred between 31st of December and 15th of February. So some total we will be able to announce only when we close the year. But as a guidance, I can say that we will be able to deliver between 18% and 20% growth over previous years.

Maitri Shah: Okay, and any guidance on how many machines we'll be able to do in next turn, FY26?

Apurva Kane: We will maintain this trajectory of 18% to 20% growth as I said earlier into going stronger notwithstanding any headwinds that may occur due to trade disruptions that may happen because of what is happening in US right now.

Maitri Shah: Thank you.

Moderator: Thank you. Ladies and gentlemen, to ask a question you may press '*' and '1'. The next question is from the line of Prateek Bhandari from Art Ventures. Please go ahead.

Prateek Bhandari: Thanks for the opportunity. In terms of the machines that we have sold up till now that you alluded to 150, can you give a break up as to what quantum of it was sold in India and outside India?

Apurva Kane: Export to domestic ratio we have maintained at about 65% exports and 35% in India. But that is in value.

Prateek Bhandari: So what would be the...

Apurva Kane: If you want to know the number of machines, I'll have to consult my figures and then get back to you.

Prateek Bhandari: Alright. And what would be the CAPEX guidance for the next year and how much CAPEX have we done up till 9 months of FY25?

Apurva Kane: We have not done any major CAPEX in this current financial year. And we are planning some kind of expansion but that will be decided by board and then we will know the quantum of CAPEX that we will be doing.

Prateek Bhandari: Alright and in terms of the order book you mentioned that as on 15th of February you are sitting on an order book of Rs. 145 crores right. So can you give the split of this order book across segments? How much of it would be coming from bags and pouches and packaging machine and extrusion lines?

Apurva Kane: Just give me a second. Approximately 60% of that is bag and pouch making machines.

Prateek Bhandari: Okay, and packaging would be?

Apurva Kane: 30% is packaging machines and balance is extrusion machines.

Prateek Bhandari: Alright. So what I want you to understand is in terms of the order book you mentioned that the execution timeline for this would be till 31st of March, right?

Apurva Kane: And Q1, part of it will be Q1 of next financial year also.

Prateek Bhandari: That is Rs. 35 crores, right?

Apurva Kane: Yes.

Prateek Bhandari: So I am talking about Rs. 145 crores which you mentioned that will be executed by 31st of March. So is the execution line of the order book across segments similar or is there some deviation across segments?

Apurva Kane: Extrusion takes longer time to deliver and bag making and pouch making machines take slightly shorter time to deliver. The total order book as on 15th February, stood at about Rs. 145 Cr. That is not entirely executed by 31st of March. And therefore, there will be a spillover, we anticipate of about Rs. 35 Cr. into Q1 of next financial year.

Prateek Bhandari: Okay, so all the best. 145 odd crores, 35 would be spilled over. So then, I guess, executable would be 110.

Apurva Kane: Correct.

Prateek Bhandari: And just one last question, what would be the working capital days on a steady state basis for us? What would be the range of it and what is the room for improvement?

Apurva Kane: I think our working capital at steady state as per the analytics that we had was around 105 days or something like that.

Prateek Bhandari: So is there any scope of improvement or this would be the range we should look at?

Apurva Kane: It's a normal range at which we will continue, all capital machinery because you have to build, you get marginal advance, you don't get 100% of the advance, you get advance that is to the tune of 15% to 20% of the value and then you have to build that inventory and inventory is realized only when the machine is delivered.

Prateek Bhandari: Right and what kind of order book you are looking at for the next year?

Apurva Kane: For next year we will give a firmer guidance when we meet next time but we are looking at this 18%-20% growth year-on-year growth for at least next few years. That is what we are looking at.

Prateek Bhandari: Sir, just in terms of the clarity regarding the growth, revenue growth you mentioned 18%-20% right?

Apurva Kane: Yes.

Prateek Bhandari: I want clarity regarding the margins you are alluding to because there is some sort of confusion looking at the figures of the previous years as well and because last year we clocked in a bit more margins, but you are somehow guiding that we would be ranging in between 15% to 16% in terms of EBITDA. So is my understanding correct?

Apurva Kane: What we said is that currently as a 9 month FY25, our EBITDA margin is at 15%. When we have executed our orders for the FY25, the overall EBITDA will be in line with what we have done last year.

Prateek Bhandari: Will be in line with the last year, right?

Apurva Kane: Yes.

Prateek Bhandari: So that means for the last year what we have done margins we should take that as the guidance for this year right?

Apurva Kane: Percentage.

Prateek Bhandari: In terms of, sorry?

Apurva Kane: As percentage, not in value.

Prateek Bhandari: Okay. Thanks a lot, sir.

Apurva Kane: Thank you.

Moderator: Thank you. The next question is from the line of Mosam Shah from Wealth Guardian. Please go ahead.

Mosam Shah: Thank you for the opportunity again. So just wanted to know what is our pricing policy for exports as in free on board or cost including insurance freight?

Apurva Kane: For exports, the delivery terms depend from customer to customer. Some of them are FOB, some of them are C&F, some of them are CIF depending on customer preference and product to product. That is driven by the customer, not driven by the company.

Mosam Shah: Okay. And also, we don't manufacture anything within the company, right? So, since our block is too small, so I just wanted to know what confidence you get from the vendors that you have tied up regarding the quality of the product?

Apurva Kane: We have been doing this for nearly 35-37 years. Basically, we are Ahmedabad based company, you know that. So, Ahmedabad was known earlier in olden days in 70s, it was called Manchester of India. And in those days there was something like 130 odd textile mills here. All of them had mostly imported machinery and to support that machinery in terms of spare parts, an entire spare parts manufacturing industry came up in and around Ahmedabad including ferrous foundries, non-ferrous foundries, small machine shops etc. Then when in late 80s textile industry started dying, we basically saw it as an opportunity and we started using those small workshops to get our components manufactured. Today, it is their second generation that is servicing our company and most of them have upgraded themselves to CNC machines and absolutely ultra modern manufacturing practices. We have also educated them over a period of so many years as to how they should achieve the quality that we need. We basically end up feeding 70% to 80% of their capacity. So they are basically dependent on us and therefore they are also loyal to us.

Mosam Shah: Okay. Thank you. Thank you so much.

Moderator: Thank you. The participants may press '*' and '1' to ask their question. The next question is from the line of Vishal Kumar, an Individual Investor. Please go ahead.

Vishal Kumar: Good morning, sir. My question is, as you can see a sign of slowdown both in India and abroad, so do you see any sign of slowdown in our business in terms of the sales of growth ahead?

Apurva Kane: No, we don't see as slowdown.

Vishal Kumar: Okay. So sir, my question is, you told that there is order book of around Rs. 145 crores. So I just want to understand that it will be executable in next 6 months as you mentioned. So what gives you confidence that we will be able to maintain 18% to 20% of growth for coming years? I just want to understand that in how much days we are able to close orders and how would this....

Apurva Kane: The confidence is derived from the fact that we have enquiries on hand and not enquiries that we are pursuing. It is based on what are the efforts that are being put in in meeting various customers and exploring various markets. It is based on the strength of the product and how the products are being viewed by the customers. It is also based on what our customers have told us in terms of their own expansion plans over next 6 months to 12 months horizon.

Vishal Kumar: Thank you, sir.

Moderator: Thank you. The next question is from the line of Deep Shah from DNS investment. Please go ahead.

Deep Shah: Sir, I just wanted to check what is the market size and can you just give the market size depending upon the machines which we manufacture? And what would be our market share in those segments, if you can help with that?

Apurva Kane: I think I did mention this earlier too. Bag making, pouch making machines, extrusion, this business is extremely scattered and primary data to actually work out what is your market share is not possible. As far as packaging machinery business is concerned, there is some data that is available which basically defines the market of overall packaging machinery at about \$8.3 billion. We have filed the industrial report along with our RHP document and it clearly mentions what are the segments that are growing and what are the areas that are growing and that is the reason based on those reports and what we have observed in the market so far, we are trying to explore Middle East, Africa and Europe for our packaging machinery business. Please note that our bag making and pouch making machines we have been selling traditionally in over 75 countries around the world since many years.

Deep Shah: Sir, got it. Thanks a lot, sir. That is all from my side.

Moderator: Thank you. Participants may press '*' and '1' to ask a question. The next question is from the line of Nala Ram, an Individual Investor. Please go ahead.

Nala Ram: Good evening, sir. Thank you for the opportunity. I have two questions. First is, how does the typical sales cycle look like for packaging machinery? Can you explain that? Number two, in terms of capacity expansion from current 350-375 machines, what will be the next phase of expansion, and how much CAPEX will be required for that? Thank you.

Apurva Kane: Can you repeat the first question?

Nala Ram: Sir, I want to understand how is the typical sales cycle for the products. So let's take an example of packaging machinery, horizontal form and fill machine. So you receive an enquiry, then what exactly happens? You have to design specifically for the customer or is it the standard design in which case you simply submit the code and then accept it? Is it how it works? Can you help us understand that, how the sales cycle works?

Apurva Kane: Typical sales cycle in packaging machinery or even bag making machines is between 3 months and 6 months from the day we receive inquiry. These are basically these machines are part of some customer's expansion project. So there are other things that are tied in like if they have enough land, if they have enough building or are they going to make a new building, how the finances are coming through, are they going to borrow from banks or it is going through their internal approvals etc. etc. but generally speaking it would be between 3 months and 6 months is a typical sales cycle from inquiry to getting the order. Then execution would be further anywhere between 3 months to 6 months. So you are looking at about 12 months and that is what gives you basically a visibility, generally a visibility as to what do you think in terms of probability that is going to happen over next 6 months to the 12 months and that is how we can basically predict that what is going to be our growth going forward.

Nala Ram: Understood. So sir, one question here is, do we customize machinery for individual clients or is your standard designs for customers?

Apurva Kane: Most of the machines, 80% of the machines are standard. We might have to add what we call as attachments based on what customer wants to do in terms of this product and the format of packaging. So somebody may want to make a punch, some kind of a hanger hole punch, then we might have to add that to the machine or somebody may say that, okay, I want to make these four different sizes of machines so then you have to provide tooling for those four different sizes of machines etc. Right and they themselves behave differently depending on whether it is snacks or chocolates or whatever, so then the filling systems have to be selected accordingly and so on and so forth. But the basic features are more or less same.

Nala Ram: Okay, one more question is in terms of machinery sales, what is the typical life of your machines? And second, do we have a recurring aftermarket business to supply spares or something like maintenance etc. components for the machine?

Apurva Kane: Our recurring aftermarket sales in terms of services and spares is at about 7% t10% of our business. The life cycle of the machine depends on the application of the machine, how the machine is being maintained, how much the machine is being used, how many hours or years the machine is being used, etc. etc. In terms of converting machines, we anticipate...

Moderator: Does that answer your question?

Apurva Kane: Pack and pouch making machines is between 7 to 10 years. Extrusion machines is between 12 years and 15 years and packaging machines is between 10 years and 12 years. But this is subject to how the machines are maintained; how much the machines are used, what is the product, what is the environment in which the machines are being used etc. etc.

Nala Ram: Understood. Sir, one final question. In the current order of work, is it possible to differentiate between new demand, meaning new capacities being set up by the customers versus the replacement of existing machinery by the customer?

Apurva Kane: I don't have those figures available with me, but replacement of the machinery is basically minimal. Most of the orders come because customers are expanding.

Nala Ram: Okay. Understood.

Apurva Kane: They are modernizing.

Nala Ram: Understood. And Can I take one last question?

Apurva Kane: Yes, please.

Nala Ram: So you have said that packaging machine is the fastest growing segment. And so there, effectively on what parameters the customer is evaluating you versus any other supplier, can you help us understand that?

Apurva Kane: We are focusing on food industry in India as well as in USA for our packaging machine. So when the customer is evaluating the machine, they are looking at technology that would allow them to basically pack the product while maintaining the hygiene. Hygiene is extremely important because you are ultimately dealing with food that is being consumed by people. So how the second is the technology that would allow for excellent seal integrity so that the product that is packed inside, the properties of the products are maintained as per the shelf life and the product doesn't spoil during the shelf life that has been printed on the package. So the security of the product and hygiene, that is the first thing. The next thing that people look at is the output, whether we are able to cater to the volumes that they want to pack. And then the third thing is what kind of service support the company is providing and what is the control on wastage that company is prepared to face. So operating efficiency is something as per contract that we offer to our customers for packaging machines, we offer OEE of 95%. So that's the

commitment we do on operating efficiency and that is very important for our customers. Lately a trend has emerged where customers have started asking whether a machine can use film that is recyclable and we have worked on this and we have number of patents that we have filed and received for using technology that would allow our customers to use recyclable film. So that is also becoming an important fact.

Moderator: Thank you very much. Ladies and gentlemen, this will be the last question for today, which is from the line of Chirag Mehta from Chirag and Mehta Company. Please go ahead.

Chirag Mehta: Good evening, sir, and thanks for the opportunity. I just had one question is that what are the efforts of the extra miles the management may be thinking to increase the margin? Like I do appreciate the guidance given of 18% to 20% for more couple of years. But what about the margin? Like what more efforts the management can take or something where we can increase the margin? So can you just throw light on that?

Apurva Kane: There are, first of all given the current scenario, the focus is on maintaining the margin. That is the first priority for any management and that is our first priority too. However, in our case, increase in the margin is likely to happen provided we become successful in introducing our packaging machines in Middle East and Africa and Europe in near future because as I have already mentioned during our Q&A session, we have a strategic pricing policy as far as exports is concerned, and our margin in exports are higher. So then that higher margin in exports will translate into overall higher margins for the company.

Chirag Mehta: So sir, have you started appointing the distributor or the setting up the office there, or like what?

Apurva Kane: The activity has already started. We have started putting together a team of people; we have started visiting some of the target countries etc. etc. Please understand that bag making and pouch making machines, we are already present in those countries.

Chirag Mehta: Fantastic. Commendable, sir. Thank you, a lot, and best of luck for the future.

Apurva Kane: Thank you.

Moderator: Thank you. Ladies and gentlemen, that was the last question for today. I would now like to hand the conference over to Mr. Apurva Kane, Chief Executive Officer for closing comments.

Apurva Kane: Good evening, ladies and gentlemen. It was pleasure interacting with all of you. Hopefully we have been able to answer most your questions, given the constraints of rule and regulation that have been framed by SEBI as well as Exchanges. We have tried to be as open as possible. Lastly, it has been our first interaction with all of you. So if you have found us wanting, please pardon us. This is a learning experience for us also, and hopefully we will be better prepared

for next interaction. So we will meet again when we close our financial year and thereafter.
Thank you so much.

Moderator: Thank you. On behalf of TIL Advisors that concludes this conference, thank you for joining us
and you may now disconnect your lines.