



“Nitiraj Engineers Limited  
Q2 FY2022 and H1 FY2022 Earnings Conference Call”

**November 16, 2021**



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**Moderator:** Ladies and gentlemen, good day and welcome to Nitiraj Engineers Limited Q2 FY2022 and H1 FY2022 business and financial performance conference call. This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions and expectations of the company as on date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict. 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. Rajesh Bhatwal - Chairman & Managing Director – Nitiraj Engineers Limited. Thank you and over to you, Sir!

**Rajesh Bhatwal:** Good afternoon everyone. Welcome to the Nitiraj Engineers Limited Earnings Conference Call for the second quarter and half year ended September 30, 2021. I would like to begin by expressing my gratitude to you all for taking the time to join us. On the call with me today are Mr. Kailas Agrawal, Chief Financial Officer, Mr. Ashish Sharma, Senior Manager Finance, Mr. Piyush Agarwal, Strategy Consultant, my daughter Ms. Prachi Bhatwal who joined us in the business for few years back and closely works with R&D team and Bridge-IR, our Investor Relations team.

To begin we have come a long way since inception and crossed several milestones over the recent past. Today, we are among the leading manufacturers of Electronic Weighing Scaling and Systems, Digital Fare Meters and we cover 30 years of experience in the industry.

Based in Dhule, Maharashtra, Nitiraj Engineers began its journey in the year 1989 and has emerged as a dominant player in India with strong and wide geographic presence. Owing to our focused efforts, the company enjoys the premium market solution in this space. In line with our strategy, we continue to expand our footprint with focus on market penetration and sustained investments in business and development to support progress. We continually strive to identify new avenues of growth and effective utilization of existing resources. Being a technology driven company, product innovation is the key to resume our desired vision. We have a strong and efficient in-house R&D team who continuously focus on knowledge and skill upgradation.

Along with this as our strength, I would also like to add that the manufacturing facility has technologically advanced machineries and most importantly I would like to add that we are zero debt company. Our new state of the art manufacturing facility based in Dhule in Maharashtra is spread across 8 acres. The facility has been divided into four buildings, tool room and moulding shop, main factory building, canteen building and printing unit and administration office with a production capacity of about 4000 machines per day.

This manufacturing facility produces diverse range of products ranging from industrial range, commercial range, jewellery range, healthcare range and household range in Electronic Weighing Scales to Electronic Fare Meters for autorickshaws and taxis, Currency Counting Machines and Home and Hotel automation. Along with this, the company also has wide and

diversified distribution network of about 400 dealers across India and 19 branch offices across Maharashtra, Odisha and Chhattisgarh catering to more than 10 lakhs satisfied customers and counties. Along with branch offices and dealers network, our company has also entered the online space to capture the untapped customers who prefer buying products online.

Talking about the key recent business developments in marketing, we have started three new branch offices in Bhubaneswar, Sonapur and Padampur in Odisha state. These branches are involved in sales of all the product ranges as we expect good sales growth from here. We held a training program on sales mix meet in Odisha in September, which was attended by 35 members of our Odisha branch network team, training of our newly launch products like new hanging weighing scales, new bench weighing scales, audio door phone and a few more were conducted.

Along with this the sales team was appreciated and given awards based on their performances. When the Deepavali sales season commenced on August 1, 2021, we have offered lucrative incentive schemes for our marketing team to boost their morale. In R&D, we have done a lot of advancement in our jewellery scales that is gold model, which has give an increased speed of weighing while offering the same accuracy, improving our electromagnetic weighing balance NLB range models continuously based on market feedback and suggestions, our R&D and design team has been working to launch three new models, new bench weighing scale, new hanging weighing scale and Video Door Phones in the near future.

From an overall business perspective we will now take you through the financial performance of the company. Now coming to our standalone financial performance Q2 financial year 2022, our company achieved revenue of 8.78 Crores reducing 24.56% year-on-year. This is mainly since we had no new government orders during the year second quarter. EBITDA stood at Rs.0.71 Crores as against Rs.1.5 Crores in the previous corresponding period. Continued fixed expenses incurred combined with lower sales lead to contraction in margins. PAT for Q2 financial year 2022 is at negative Rs.0.05 Crores as compared to a profit of Rs.0.69 Crores in Q2 financial year 2021. Q2 financial 2022 EPS stood at negative Rs.0.05.

Turing to the half year financial year 2022 financial results, in H1 FY2022 our company achieved revenue of 13.77 Crores decrease in 26.41% year-on-year, this is mainly due to no new government orders coming during this period; however, our branch and dealership sales increased during this half year. EBITDA stood at Rs.1.04 Crores as against Rs.0.10 Crores in the previous corresponding period. Continued fixed expenses incurred during this period impacted profit margins. PAT for H1 financial year 2022 is at negative Rs.0.45 Crores as compared to a profit of Rs.0.18 Crores in H1 financial year 2021. H1 financial year 2022 EPS stood at negative Rs.0.44. That is all from our side. We can now open the floor for questions.

**Moderator:**

Thank you very much. We will now begin the question and answer session. Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question is from the line of Rohan Mehta an Individual Investor. Please go ahead.

**Rohan Mehta:** Good morning, Sir and good morning everybody. I just had some questions, you mentioned about some new products in the pipeline, which sound quite exciting, so as of now I just wanted to ask which are the current top 2 to 3 products in your view, which are contributing most to the revenue and once the new products you spoke about launch commercially after that maybe a year or two later, what kind of product mix can we see and by then what would be the top two, three revenue for us in terms of these new products as per the year or two?

**Rajesh Bhatwal:** The new products, which are supposed to be coming up, one is our smaller weighing scale of about 60 kg capacity, NBW-30/60 is the modern length which was demanded highly in the markets since long time and as I had mentioned that R&D was working on it, but here I can tell you that this product is successfully launched in October and we have got very overwhelming results already in the current quarter of October to December and the sales are increasing. Product number two, hanging scale, which should be having cheaper price and that should have been made up ABS, we were working on this for almost 12 months and that product is also already launched in October and that is also doing very good in the market. Third product we are still working on Video Door Phones and we are expecting to be launched by November end or December first week itself which going to create a lot of waves in the market because there is a lot of enquiries pending for Videos Door Phones, recently we participated in two exhibitions one at Jalgaon and one at Aurangabad we have got a lot enquiries for the Videos Door Phones. Product number four, we are now working on the Cash Register or electronic billing machines it is called as and that product may take about three to four months for launching, we are trying our best to launch it at March end so that all our existing customers, shopkeepers would start using our billing machines.

**Rohan Mehta:** That is great news. All these products the ones you mentioned in October, so what kind of marketing expenses were incurred for that and for the ones that would be launched in the near future, what would be a rough marketing budget for these?

**Rajesh Bhatwal:** Mr. Rohan, basically the two products we have already launched in October as I mentioned, it did not require any additional efforts or expenses because we are directly absorbed by our existing marketing network itself, our dealers and branch network, because these products are directly contributing to our commercial product range. So we did not have to do much in fact these products are developed by the feedbacks from the market that these products are required and for the video door phones, we are going to have a marketing strategy altogether since video door phone is about to get completed, will add a complete range of home and hotel automation product mainly access control, remote control door lock and bluetooth door lock, audio door phone, video door phone and there we are going to start marketing strengthening for this consumer product maybe from December onwards and we have a budget of roughly about 80 lakhs to 1 Crores to be spent by March ending 2022.

**Rohan Mehta:** Understood, Sir about the new factory when did operations commence and currently what would be the capacity utilization in that new facility?

- Rajesh Bhatwal:** We started actually producing products over a year in January 2020, it is almost 20 months now, see we can manufacture roughly about 4000 scales per day in case if we get bigger government orders, at present we have got an utilization maybe up to 50% to 60% of the installed capacity.
- Rohan Mehta:** If more orders come in then it can be serviced from the existing facility up to 40% to 50% more right?
- Rajesh Bhatwal:** Exactly, yes.
- Rohan Mehta:** Sir, we opened some new branches especially in Odisha, any particular reason why and are we seeing more demand from that state or those regions in terms of geographical split also if you could just share some information?
- Rajesh Bhatwal:** Sure, running a branch network is a very serious job in nutshell if I tell you, mainly because the teamwork and bringing your branch into profit ratio takes some time, so basically Odisha, Chhattisgarh and Maharashtra are the three states where they are running our branch network successfully and maintaining the profit ratio of branch operations. The people who get trained out of the existing branch itself we promote them further and putting the branches in two areas, nowadays actually weighing scale has become a product, which is bought online I mean to say off the shelf, the customers want the weighing scale as soon as they enter into the office they want it ready. So there are many tehsils or smaller places let us say in places in Odisha say for example, we have a branch at one district headquartered in Bhubaneswar, it is catering 100 kilometer radius, so the customers would demand weighing scale from different smaller tehsil areas, they do not get it off shelf so to eliminate this problem, we have pin pointed certain places where we should have our branch office and we should have a ready stock to satisfy the customers demand. That is the reason we started offices in Odisha.
- Rohan Mehta:** Understood, Sir, also are the top states would be the top regions in terms of our demand if we look a geographical split of revenue in India, states be in the top two, three in terms of demand?
- Rajesh Bhatwal:** Number one is Maharashtra, then come Odisha, Chhattisgarh, Madhya Pradesh, West Bengal.
- Rohan Mehta:** Understood, Sir. Any plans we have like west to east central belt which is our key demand area by chance any scope of expanding further down south or in the north any of the new states are we looking or already demand is sufficient?
- Rajesh Bhatwal:** Today our marketing network is comprises of about 400 dealers and 19 branch offices, we are into each and every district of India led by even northeastern states from Jammu Kashmir to Kanyakumari and Dwarika to West Bengal everywhere we are there is our presence, but then as rightly we have worked out some certain statistical data where we feel that certain states we need to focus more and we are going to appoint new team and of course after the marketing effort starts it will take time may be six months to a year for the results to start coming in, but we are going to start on certain areas among marketing guy and we are trying to keep that area that will contribute in coming season.

**Rohan Mehta:** Fair enough, surely. Sir, it is quite huge dealer network that you already have, so just the last question I wanted to ask, are we looking at online channels for sales also?

**Rajesh Bhatwal:** Yes, already started online.

**Rohan Mehta:** Any sort of view on what kind, how much share we can see of revenue coming in from online channels because maybe expenses might be a little less in sales going through online channels would that be sufficient?

**Rajesh Bhatwal:** We have started online and not only online, we had also started digital marketing comprises of advertisement on Facebook, LinkedIn and Whatsapp etc., and we have appointed expert team in our head office which comprised of about 15 people, 15 professionals and we have increased the sales roughly about 18 to 20 lakhs a month by doing this digital marketing and online also we have started selling our person weighing scales, currency counting machines on Amazon, and in fact this is recently started mainly about 2 or 4 months back we are just trying to gather the feedback and now we can improve it further.

**Rohan Mehta:** Thank you for bearing with me for so many questions, just one last one, home and hotel automation related sector is also quite relatively in a nascent stage, it is new so do we see any sort of projections of so what we can expect from that particular subsegment hotel and home automation?

**Rajesh Bhatwal:** Basically home and hotel automation this is facing not to the consumer electronics, I always had a wish when we talk about electronic weighing scale is more or less sold in the commercial, but that when it comes to home and hotel automation we are trying our best to increase the consumer electronics, we are really not experienced so far in handling the consumer products marketing, but now as the products are getting almost all developed and have installed more than about 350 to 400 installations have already done in the one year time or so, and there are lot of different enquiries are coming in, we are very sure because this market is very big, so we are going to plan our marketing strategies that how we are going to handle with this and I am personally very much positive about growing the market in this segment.

**Rohan Mehta:** Alright, sure, Sir. Thank you so much and all the best. If I have anymore questions I will rejoin and thank you and all the best, Sir.

**Moderator:** Thank you. The next question is from the line of Aniket Redkar an Individual Investor. Please go ahead.

**Aniket Redkar:** Good afternoon, Sir. I have a couple of questions can you give revenue in terms of each segment?

**Rajesh Bhatwal:** It will be from April to September half yearly current financial year commercial range and its revenue of roughly about 10.62 Crores roughly about 77.12% the total revenue, the currency counting machines is 1.03 Crores roughly about 7.5%, the jewellery range is 96.43 lacs roughly about 7%, the healthcare product is at about 39.59 lakhs that is about 2.88%, home automation

and hotel automation is roughly about 280000 roughly about 0.2% and mechanical scale is roughly about 60000, 0.4%, the mechanical scales are mainly sold to the government segment that is as for to 100%.

**Aniket Redkar:** Sir, our revenue had decreased 24% in the coming quarter as compared to the last quarter, so what basically is the reason and you can see other percentage of sales, our employee expense and the other expenses have increased despite decrease in the sale, so I just wanted to know more about it?

**Rajesh Bhatwal:** I will answer your questions in two parts, first is on the reducing our revenue, Aniket Ji actually what happens is the government business is one of the very important parts of our business and government's business comes in only after September-October every year. Last year when you see the revenue was more mainly because the previous year's March ending orders were added into last year first half because of the lockdown whatever orders we have got in March 2020 were exhibited in May 2020 that is the reason first half yearly sale was more, this time we are expecting very good government business in coming time maybe in the next 4 or 5 months till this financial year gets over and we are very sure that that will recover, when it comes to our expenses we are trying to reduce, step by step, by planning a lot of strategies, we are planning to close down our Himachal operation, which is still going on and we will be shifting completely, we are shifting to our Dhule manufacturing units by phase by phase, so the last phase is still pending. Once we shut down Parwanoo factory definitely the expenses would be controlled further.

**Aniket Redkar:** Sir, what are our terms of business would be government I mean are we facing any payment difficulty and what basically the payment cycle looks like currently?

**Rajesh Bhatwal:** There is no terms what we can actually define to the government, every tender has got different tendering conditions, but roughly it takes about 3 months' time for recovering our outstanding from the government, so roughly say 2 months after getting the order for delivering the goods I mean manufacturing, transporting and installing all these things takes about 2 months time and may be by the time with our complete payments it takes further 3 months, so it is roughly for order days to recovering all the payments takes about 5 months time.

**Aniket Redkar:** As you talk about the Parwanoo factory so it is operational?

**Rajesh Bhatwal:** Yes, it is operation.

**Aniket Redkar:** If it is operational then what kind of product we manufacture over there?

**Rajesh Bhatwal:** We are manufacturing all kind of table top models over there and the rest the complete range of sizes is already shifted in Dhule manufacturing unit.

**Aniket Redkar:** Sir, our other income is also increased substantially in the coming quarter, so what does it comprise of?

- Rajesh Bhatwal:** Other income increase due to added income from sales of assets, we have sold our Nagpur branch with the income of Rs.13.52 lakhs during the period.
- Aniket Redkar:** Sir, there is a short-term borrowing of Rs.6 Crores and that has been taken from working capital requirement?
- Rajesh Bhatwal:** Yes, we are utilizing our working capital limits at present, and I am very sure it would be almost zero in coming 2 to 3 months because now since we are at our peak business period we have got a new stock of our finished products and the products are getting sold and they are recovering very fast.
- Aniket Redkar:** What is the impact of lock down on our current working capital cycle?
- Rajesh Bhatwal:** Actually, Mr. Aniket you must have read the news or you must be aware that this particular lockdown due to COVID impacted very adversely on semiconductor industries worldwide, you must have heard that automobile industry also got badly affected because nonavailability of ICs or chips, you know because it was automobile industry the whole world came to know about the crisis in the semiconductor industry, so we basically we as the product manufacturer we also had to go through this and we had to stock lot of ICs in advance from different suppliers almost all over the world may be from US, Taiwan and all etc., so that is the reason little more working capital was used for sourcing electronic components heavily not to face problems and there is a situation wherein we have business, but we are not able to produce the product or not able to make the product because of short of raw material, that is the reason you have store little more inventory and effect of lockdown was we had to have higher inventory little more from our working capital.
- Moderator:** Thank you. The next question is from the line of Sanjay Malpani an Individual Investor. Please go ahead.
- Sanjay Malpani:** Mr. Rajesh, good afternoon. I have a question. Since you are mentioning that there has been a reduction in revenue, is there a special strategy you guys are following for government orders and specially the trade orders both I can see there is a dip in both trade side and also government orders, and you mentioned that you are expecting some upsurge in that so can you just let us know what is the strategy you are following on that?
- Rajesh Bhatwal:** Mr. Sanjay, first of all I like to tell you that there is no fall in our commercial sales, I mean business other than government has grown up, last year half yearly it was 12.07 Crores and this year is 12.71 Crores so as long as our branches and dealers are concerned it is improving in spite of having hassles because of the lockdown and all that, when it comes to government business, we already have a separate team. We are working with the team for almost 15 years now and we are fine for different kind of tenders which are coming up, I am very sure if you generally see the trend of over kind of business first half year revenues up to September end our revenues are always less, very much like and October to March is the time it is like T-20 match we recovered

in the last dead overs that is how it goes for us, so it is the time that we are also looking out for a very good kind of business coming in from government and I am sure that will recover.

**Sanjay Malpani:** Have you ever done any kind of a mapping for you any market shares on the various products?

**Rajesh Bhatwal:** Any kind of, sorry?

**Sanjay Malpani:** Mapping on the market share?

**Rajesh Bhatwal:** Sorry, Mr. Sanjay, I cannot understand you question can you elaborate?

**Sanjay Malpani:** I mean what is the market share of our product of your company in this particular segment?

**Rajesh Bhatwal:** Actually there are too many people who are manufacturing this product now. Overall market is quite big, but when it comes to a single manufacturer market share as I can tell you that we are one of the top market shareholders in this electronic weighing scale business, whatever is our turnover is about 55 Crores to 60 Crores for the last 2 to 4 years you can see, this is one of the highest turnover was seen in the electronic weighing business in India by a single company.

**Sanjay Malpani:** Thank you.

**Moderator:** Thank you. The next question is a followup question from the line of Aniket Redkar an Individual Investor. Please go ahead.

**Aniket Redkar:** Sir, my question was, can you give working capital days, debtor days, creditor days and inventory days?

**Rajesh Bhatwal:** I believe you want it for the current half yearly April to September end?

**Aniket Redkar:** Yes.

**Rajesh Bhatwal:** The inventory days is roughly about 271, which is very high. The reason and I spoke to you in our previous conversations mainly because we had to purchase lot of extra inventory depending on the lock down situation, debtor days is about 37.85 and creditor days are about 17.01 so total working capital days for April to September 2021 were about 299.56.

**Aniket Redkar:** Sir, from our portfolio which brands or the product are getting higher EBITDA margin?

**Rajesh Bhatwal:** If you want to really know which products get filed in EBITDA margins, I can tell you. Expenses to sales ratio is basically profit ratio and that keeps on varying, so the highest EBITDA what we get is what are all the new products which we are developing now at present there we are holding better margins, they are technologically more advanced product so definitely the prices can be high and more value addition. Typically like our newly launched EMFR range, Electromagnetic is post restoration is very high since it is high sensitive analytics balances, they are having better EBITDA margin and for jewellery are having better EBITDA margins and the regular scales are

manufactured by many, but even then our brand PHOENIX definitely people demand for and we are having okay, okay margin in this.

**Aniket Redkar:** Sir, there is a difference between the consolidated PAT and standalone PAT so have we partnered with any other company?

**Rajesh Bhatwal:** Actually in consolidated we had profit at loss of our associate company that is Hyper Drive Technologies Private Limited, in Bangalore as well as USA.

**Aniket Redkar:** Sir, NLB series basically it is a finished product right, so what kind of future would do we see in this product and what kind of potential margin we can earn from this?

**Rajesh Bhatwal:** Aniket Ji, NLB Series is the products which give the accuracy up to 0.0001 or 0.1 mg and it is mainly used by all kinds of laboratories, industries, pharma sectors, chemical sectors and also it has got a lot of demand in the government segment. This particular product is a highly technical product, it is like a lab equipment and it is not very easily copied or manufactured by smaller size manufacturers. We worked on this for almost 5 years now and we have this product a year back, already sold about 350 to 400 pieces and got very good response from the market, these particular range also has got accuracy of 1 milligram and 10 milligram, 1 milligram is also used by the industries, jewellers, goldsmith and lot of other showroom of gold and silver, 10 milligram balance is also used by the laboratories and silver traders, this is a ~~company~~ complete different marketing segment. We are trying our best to improve upon our marketing segments here, marketing efforts in this particular range, we are looking out for a quite a big addition into yearly turnover over a period of time roughly it should be adding lot may be about 15 Crores yearly after two years down the line.

**Aniket Redkar:** Sir, two questions under make in India campaign are you getting any advantage? Do we have any further plan of taking advantages from make in India campaign?

**Rajesh Bhatwal:** No, we have not done anything in make in India campaign. In fact we have applied for the central government subsidy and state government subsidy for the new plant we started at Dhule and our projects have been sanctioned by the central government as an electronic manufacturing project in India as we are looking for a lot of advantages because of this.

**Aniket Redkar:** Sir, last question any specific plans for the company as you mentioned about your daughter Prachi, is she planning to carry forward with the business?

**Rajesh Bhatwal:** Prachi is working full time with us and she is online right now. She is listening to our conversation also. She is qualified engineer in electronics and she has been working. Well, I am not very sure whether she will be succeeding as a successor for this, but we have a lot of professionals working in this organization and it is not kind of a family business I would say. There are lots of professionals working in different level and I believe that people are there who will be handling this unit in the future.



*Nitiraj Engineers Limited  
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**Aniket Redkar:** Thank you so much, Sir.

**Moderator:** Thank you. Ladies and gentlemen, that was the last question. I now hand the conference over to Mr. Rajesh Bhatwal for closing comments. Over to you, Sir!

**Rajesh Bhatwal:** I would like to take this opportunity to thank each member of Nitiraj Engineers family. I would like to thank our clients, creditors, banks, Financial institutions and other stakeholders. For any further queries or information please get in touch with our Investor Relations Team. Thank you.

**Moderator:** Thank you. Ladies and gentlemen, on behalf of Nitiraj Engineers Limited, that concludes this conference. Thank you for joining us. You may now disconnect your lines.