



“Nitiraj Engineers Limited  
H2 & FY2021 Earnings Conference Call”

June 24, 2021



**MANAGEMENT: MR. RAJESH BHATWAL - CHAIRMAN AND  
MANAGING DIRECTOR - NITIRAJ ENGINEERS  
LIMITED  
MR. KAILAS AGRAWAL - CHIEF FINANCIAL  
OFFICER - NITIRAJ ENGINEERS LIMITED  
MR. ASHISH SHARMA - SENIOR MANAGER FINANCE  
- NITIRAJ ENGINEERS LIMITED  
MR. AJAY- NITIRAJ ENGINEERS LIMITED  
MS. PRACHI BHATWAL – RESEARCH AND  
DEVELOPMENT TEAM - NITIRAJ ENGINEERS  
LIMITED  
MS. SAVLI MANGLE - BRIDGE INVESTOR  
RELATIONS  
MS. DISHA SHAH - BRIDGE INVESTOR RELATIONS**



*Nitiraj Engineers Limited  
June 24, 2021*

**Moderator:** Ladies and gentlemen, good day and welcome to the Nitiraj Engineers Limited H2 and FY2021 Earnings 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 the date of this call. These statements are not a guarantee 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 and Managing Director - Nitiraj Engineers Limited. Thank you and over to you, Sir!

**Rajesh Bhatwal:** Good afternoon everyone. Welcome to Nitiraj Engineers Limited Earning Conference Call for the audited second half year and full year ended March 31, 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, our Chief Financial Officer, Mr. Ashish Sharma - Senior Manager Finance, my daughter, Ms. Prachi Bhatwal, who has joined us in the business, a few years back and closely works with R&D team and Bridge IR our Investor Relation team.

Since this is our maiden earning call, before we get into the business and financial performance for the year, I would like to share a brief insight about our company.

To begin with I am very happy to share that in the month of April 2021 we have successfully migrated from NSE SME Exchange to NSE Main Board after completing all the required formalities. We expect this move to provide our company a large platform and visibility in the market and strict foundation for future growth. 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 Scales and Systems, Currency Counting Machines, Digital Fare Meters with over 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 a premium market position in this segment. In line with our strategy, we continue to expand our footprint with focus on market penetration and sustained investments in research 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 reaching our desired vision.



*Nitiraj Engineers Limited  
June 24, 2021*

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 a zero-debt company. Our new state-of-the-art manufacturing facility is located at Dhule, Maharashtra spread over across 8 acres. The facility has been divided into four buildings, tool room and moulding shop, main factory building, canteen building and administration office with a production capacity of about 4000 machines per day.

This manufacturing facility produces diverse range of products ranging from industrial products, industrial range, commercial range, jewellery range, healthcare range and household range in Electronic Weighing Scales to Electronic Currency Counting Machines, Electronic Fare Meters and home and hotel automation. Along with this, the company also has wide and diversified distribution network of about 400 dealers across India and 17 branch offices across Maharashtra, Odisha and Chhattisgarh catering to more than 10 lakhs satisfied customers. 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.

Lastly coming to COVID-19 pandemic and how it has hampered our lives and businesses, in the same way, it has also had a major impact on our B2B business. While this has been both a very difficult and challenging time for most of the B2C businesses in India, I would like to say that we have been fortunate that our B2C business has not only been gaining good traction, but it is also growing well. Talking about the key recent business developments, in technology we have developed and launched Door Shutter Alarm System under security and automation product range, used for home or workplace security and gives out a loud siren on intrusion.

We also developed platform weighing scale with RF indicator for wireless data transmission from platform to indicator. Updated electromagnetic weighing balances with latest technology and software enables machines to give best performance. These are highly sensitive weighing balance measuring weights up to 0.0001 gram accuracy.

In marketing, we have started online sales through e-commerce platform like Amazon, participated in Divya Marathi Shopping Utsav in auto expo, Jalgaon, from February 10, 2021 to February 14, 2021, advertised on TV advertisements, newspapers and home for home automation and security products. Apart from this, we have also received quality certification for hanging scale, platform scale and electromagnetic balances. So, from an overall business perspective that is all.



*Nitiraj Engineers Limited  
June 24, 2021*

We will now take you through the financial performance of the company. Now coming to our standalone financial performance in the half-year ended March 31, 2021, our company achieved revenue of 35.72 Crores growing 63.35% year-on-year. This is mainly on an account of increased market demand especially commercial scales and growing B2C business. EBITDA stood at Rs.6.09 Crores as against Rs.1.35 Crores in the previous corresponding period increasing 349.89% year-on-year mainly due to increase in sales. PAT for the year is at 3.48 Crores as compared to Rs.1.41 Crores in H2 financial year 2020, a phenomenal YoY growth of 146.77% on account of higher sales and cost cutting measures due to innovation because of our R&D facilities. Our EPS stood at Rs.3.40.

Turning to full year financial year 2021 financial results in the year ended March 31, 2021, our company achieved net revenue of Rs.53.82 Crores representing an increase of 12.45% year-on-year on an account of increased market demand especially commercial scales and growing B2C business. EBITDA stood at Rs.7.82 Crores as against Rs.3.6 Crores in previous corresponding period mainly due to increase in sales. PAT for this year is at Rs.3.64 Crores as compared to Rs.2.59 Crores in financial year 2020. Increase in the PAT due to higher sales and cost cutting measures due to innovations because of our R&D facilities. Our EPS for the year is Rs.3.55.

This 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 afternoon, Sir and congratulations on a great performance this quarter and full year. Sir, just had a couple of questions, we noticed that our other expenses have reduced in absolute terms as well as vis-à-vis sales, this half-year as well as the full year so what kind of cost cutting measures have there been or any sort of efficiencies have been put in place because of the which the other expenses have reduced?

**Rajesh Bhatwal:** Thank you so much. Mainly since we started our manufacturing facilities in Dhule, earlier we had our manufacturing facilities located at Parwanoo in Himachal Pradesh, but now we are shifting to Dhule factory over the phases and majority of our production is taking place here in Dhule now. A lot of cost is getting cut, for example, rent expenses, salaries and other things and we are able to control the complete operations in a much better situation here at Dhule, one of the reasons. Secondly, we are developing our circuits. Our R&D team is taking a lot of effort in making the circuits where in we can cut down our PO to some extent and that is where the cost is getting reduced.

**Rohan Mehta:** I see okay, Sir that is great to know. Sir, since we speak about R&D, do we have any sort of like a budget or target spending towards R&D for a year that we do?

**Rajesh Bhatwal:** See basically we have lot many developments going on for upcoming products as on now also we have about six to seven products online, which are getting developed, so depending on the feedback we get from the marketing team, we decide upon what kind of products to be developed and then R&D team is working. We already have about 15 developers with us those who do the development in hardware, software, firmware, PCB designing, we also have a three dimensional designing facilities in-house and then most importantly we have the dye-making tool room, injection moulding and metal plate dyes are also manufactured in-house, also we have a moulding shop in-house, so it all depends upon the product which we are going out for now for the new development, we have the facilities for making the expenditure whatever is required.

**Rohan Mehta:** Sir, these new products which are under development, if you could give an idea about what the application is going to be, any idea about what the product might be?

**Rajesh Bhatwal:** Sure, we are about to launch, it may take us maybe by July, next month, we should be launching our new hanging weighing scale. We already have a product called as a hanging weighing scale, but then this product we have developed specially for reducing the price. It has been made in a beautiful shape of a rugby ball kind of looks and it has got a lot of technology in it like it can be operated with IR remote control, it has RX extra display, it has got a batch memory, it has got a USB interface and also it has got Bluetooth function and the Bluetooth app so that the user can transfer all the data on the mobile and use that Excel file further into their ERP or something, so this is the product which we actually got the information that it will have a lot of demand into agricultural segment, the tea gardens and such kind of applications, so this product has been under development for almost over five to six months and it should be getting launched next month. Then we have another product called as Wind Scale. That is on our website, so they were some limitations from the existing wind scales like we were not able to provide the wind scales in smaller sizes like one foot by one foot, I should say about 300 mm x 300 mm, which was mainly demanded by the small traders, vegetable sellers and the fruit sellers, so we are making all the changes in the model, we are developing about seven injection moulding dyes and it should be launched sometime by August when our peak business period will begin for this year, Diwali season and we are also developing electronic cash register and billing machine, which is a product which can be absorbed straight away by our existing customers, all kinds of shopkeepers so this product is also under development, then we are also now making on weight and volume weighing scale, so this is going to be required largely by all the logistics, transporters, couriers and also by the Department of Post, Government of India, so this product is also under

development now and also in home automation and systems, we are now going to develop the biometric access control by which the access will be given to the person whose biometric thing is matching with the recorded one. These are all the products under development at the moment.

**Rohan Mehta:** I see, it is very interesting, Sir. In fact lot of the products have a lot of technology going into them so can we expect similar margins from these products or would this be relatively higher margin product?

**Rajesh Bhatwal:** See whatever new products we are developing, see our strength is basically development itself as I mentioned few minutes back. So whatever new products we are developing the margins are definitely going to be much better than our existing ranges today, only thing is we will have to take little extra efforts in marketing since we have a very wide marketing network 400 dealers and about 17 branch offices, making the products information and the typical facilities and features right up to the down line sales executive who goes in the market it takes a lot of efforts in sending the information, inviting people here at our head office and giving them training so it takes little bit time for the new product to get launched in the market down the line, but I am very sure it will pick up because they are going to be developed on the demand of the customers itself.

**Rohan Mehta:** Definitely. Sir, has there been any capex or any plans of capex in the near future?

**Rajesh Bhatwal:** Not exactly. Not a major I would say anything, but we may add about two more machines into our tool room, one is going to be a vertical machining center, we already had two and one it could be CNC lathe, these two machines would be required in for machining our certain components of our electromagnetic balances, but not a very sizable capex I would say. It would be roughly about 25 lakhs to 30 lakhs order.

**Rohan Mehta:** Alright, okay, Sir. Sir, just one last question, what proportion of export revenue would we be having currently?

**Rajesh Bhatwal:** Export, we did not have much. If I talk about 2021, we had export of about 32 lakhs to 35 lakhs odd, as against 53 Crores as a total turnover if I talk about, so it is hardly about 0.6% roughly. We have been selling in countries like Nepal, UAE, and Oman.

**Rohan Mehta:** Alright. Thanks a lot. If I have any more questions I will just rejoin and all the best, Sir. Thank you so much.

**Moderator:** Thank you. The next question is from the line of Jainis Chheda from Dimensional Securities. Please go ahead.



*Nitiraj Engineers Limited  
June 24, 2021*

**Jainis Chheda:** Good morning, Sir and congrats for a great set of numbers. Actually had a more strategic or macro level questions, so as you said that you are the leading player in the industry in weighing scales and electric meters, so what will be the overall industry and how much is organized and unorganized and is there any threat from China in the industry in both weighing scale and electric meters?

**Rajesh Bhatwal:** Basically, so far our major products is electronic weighing scale itself and there are other products which we are trying to add on, I would like to address your question based on electronic weighing scales first. When it comes to China, well there was a time maybe about if I am not mistaken about 8 to 10 years back when China had opened and a lot of imports had started from China to Indian market, but then that wave remained hardly for a year or two and then people are grossly understood they started buying Indian products because of the quality and the features what we are offering. When it comes to a competition well I would say the competition is more the product is more salable, there is a competition, there are some people organized and unorganized sector both in our line, but then when it comes to weighing scale as a range it starts from 0.0001 gram that is 0.1 mg to weigh bridges up 150 tonnes, so there are so many different models like health range, commercial, domestic and kind of things, so you know when it comes to a competition there are some people who are only focusing on to some kind of a commercial products, but we are a company who are developing products for all different ranges and geographically we are covering whole India, there is not a single district where our product is not reaching today in India. So, considering the geographical presentation and various model ranges, diversified model ranges as well as adding technology into every product as for the demand, I think that the competition is not going to play very significant role and we should be continuing and growing.

**Jainis Chheda:** So, what will be the total market size of electric weighing scale?

**Rajesh Bhatwal:** You mean to say in the form of the amount, value?

**Jainis Chheda:** Yes.

**Rajesh Bhatwal:** I think according to me it should be more than about 800 Crores to 1000 Crores approximately per year.

**Jainis Chheda:** This includes all the ranges taken together, right?

**Rajesh Bhatwal:** I mean to say this particular value I am telling you is mainly about the commercial product ranges.



*Nitiraj Engineers Limited  
June 24, 2021*

- Jainis Chheda:** Of the total revenue, what will be the percentage revenue from electric weighing scale for Nitiraj?
- Rajesh Bhatwal:** We did about 53 Crores last year so that comes to about 6% to 7%.
- Jainis Chheda:** No, the total weighing scale segment?
- Rajesh Bhatwal:** If you say that we have done about 53 Crores last year and the total market was about 800 Crores, so that comes to about 6% to 7% what Nitiraj has done as compared to the whole market segment.
- Jainis Chheda:** So, in terms of electric meters, was there any onetime revenue because of the recalibration due to change in rates?
- Rajesh Bhatwal:** When it comes to digital fare meters we had developed a digital fare meters about six to seven years back. That time it was very much in demand and we thought of development of this product, but right now we are not clearly focusing on digital fare meters, whatever our old dealers or customers we are supporting them, if there are changes in the fare depending on changes on the rates, the tariff of digital fare meters also keep changing, we are definitely supporting them by making the changes in our program time to time.
- Jainis Chheda:** Do we get any revenue because of that recalibration?
- Rajesh Bhatwal:** Yes, we do get. We are having certain strategy on that and we are definitely charging our dealers and customers marginally for making changes in their fares.
- Jainis Chheda:** So the revenue growth for the year can we say that one of the reason was the change in rates because in times of COVID also you have clocked a 12% Revenue growth for the year?
- Rajesh Bhatwal:** So, that is not really related with the digital fare meters, mainly because our B2C business increased. Ironically all majority of the business in B2C had fallen down in last financial year because of the COVID pandemic, but we have done better in B2C business last year and the demand of electronic weighing scales has grown last year that is the reason we could do better.
- Jainis Chheda:** So in terms of your revenue can you give us a breakup, how much is from B2C and how much is from B2B?
- Savli Mangle:** If I may interrupt, I can give you this information later, Jainis.



*Nitiraj Engineers Limited  
June 24, 2021*

- Jainis Chheda:** Sure.
- Savli Mangle :** Thank you.
- Jainis Chheda:** I have some more questions. I will join back the queue.
- Rajesh Bhatwal:** I am sorry, my line from which I was speaking to you got cut, so I am speaking on Kailas mobile, the exact bifurcation of B2B and B2C unfortunately is not readily available here with me, but I think we are noting it down and we will be definitely giving you the details over a period.
- Jainis Chheda:** I have some more questions, but I will join back the queue.
- Moderator:** Thank you. The next question is from the line of Aniket Redkar an individual investor. Please go ahead.
- Aniket Redkar:** Good afternoon and congratulations for the good set of number. Sir, I have a couple of questions, which product we contribute highest over revenue, I mean I just want to ask you, what are top three contributing product we have right now?
- Rajesh Bhatwal:** Yes, at present when we talk about different ranges we are manufacturing the highest sales what we are getting from the commercial weighing scales, which includes our table top range, platform scales and wind scales, there were three models of three product ranges, which are contributing highest into the revenue.
- Aniket Redkar:** Okay, so do you see this trend is continuing?
- Rajesh Bhatwal:** Yes, this trend is going to continue in the coming future. That is the reason we are trying to make newer models into this segment itself like as I told some time back we are making a new Den scale, which is demanded and also new hanging scale, these all product just fall into this segment itself.
- Aniket Redkar:** So do we have any new product under development?
- Rajesh Bhatwal:** Yes, we have a lot of new products under development like we are making a new hanging scale. I think probably, were you on the line when I was talking to another gentleman about the new product development? I should repeat it to you again? I will briefly tell you what exactly we are doing in new products? We are making a new hanging scale, which is a very attractive model with lot of technology and features like IR remote control, RX extra display, bluetooth facilities and most importantly it will be very

cheaper in the price. It is all the technology and the most important feature in this model we are introducing is it is going to operate on a 3.7 volt lithium ion cell, which will give a very longer backup as well as lesser weight. Another product, which we are making is we are making a new Den scale. Den scale is one of the very hot selling products for us. But then it is demanded to reduce the size for a smaller traders or the people like vegetable and fruit sellers, we are developing a newer model. Then, we are also now making electronic cash register for the billing machines for our existing customers who are shopkeepers. We are also developing a weight and volume scale required by the logistics and courier people. The weighing scale will give the weight as well as the volume instantly as soon as the parcel is kept in the weighing scale and this particular model is also going to be demanded by the Postal Department, Government of India, so it is going to attract a lot of government business also and home automation product, we are making a biometric access control. They are the new products, which are immediately going on under development in our R&D.

**Aniket Redkar:** I just want to know how do we select the product based on which parameter we select the product, I mean in terms of the margin, some other aspects?

**Rajesh Bhatwal:** It is very simple work. Whatever market segment we are catering to today and we are having 400 plus dealers and about 17 branch offices dealing with the end users every day, we get a lot of feedback from our marketing team and we normally while developing the new product, we see to it that our market segment more or less is going to remain the same so that our marketing teams can cater the new product to the same customers same existing satisfied list of customers and then when it comes to margins whenever we are developing a new product and the new technology, the margins are definitely better than our existing products in the market and margin should anyway come if we develop the product and we are able to market it, margins should anyway come that is what the real issue.

**Aniket Redkar:** Sir, in terms of revenue, what is our contribution of each segment?

**Rajesh Bhatwal:** If we are talking about last year 2021, the commercial weighing scale contributed about 55% to 57%, then the health range has contributed roughly about 25% to 26%, currency counting machines is now going faster, last year we did roughly about 1.8 Crores in currency counting machines contributing roughly about 3% to 4%, jewellery weighing scale is a segment, which is now slowly growing, it is about hardly 1.5% to 2% last year, but this year we are emphasizing a lot in jewellery weighing scales and most importantly our electromagnetic balances, which we have just launched last year and this we are expecting a big growth in that, last year we could do roughly about 0.4%, but then this year this electromagnetic balance is going to contribute very handsome into our sales.



*Nitiraj Engineers Limited  
June 24, 2021*

- Aniket Redkar:** Sir, what about the fare meters?
- Rajesh Bhatwal:** Fare meters, we are not actually doing very well. We are not able to really focus on fare meter to a great extent, but fare meters I think last year we have done roughly about hardly Rs.38000 to Rs.50000 sales of fare meters, but then fare meter is slowly going to be eliminated from our product ranges, we are focusing on todifferent products.
- Aniket Redkar:** Got it. Sir, my second question is as we can see there is increase in revenue by 63% Y-o-Y from 20 Crores in H2 FY2020 to 35 Crores in H2 FY2021, so what is the reason?
- Rajesh Bhatwal:** I did not get you. You are trying to know why the topline or the turnover was more?
- Aniket Redkar:** Yes, there is an increase in revenue, so what leads to increase in that revenue?
- Rajesh Bhatwal:** I will tell you one reason because first half it was affected by lockdown, the first wave of COVID-19, the lockdown started from sometime by March 22, 2020 and it went on up to probably May and then slowly the businesses and the work started from June onwards, so maybe the one of the reasons was whatever business slowed down in March, April and May that all came back as a backlog number one and number two, we focused more on B2C because most of the industries got affected on B2C in 2021 because of the pandemic, but we definitely did better in B2C last year and that is the reason overall business in the H2 increased.
- Aniket Redkar:** Sir, in terms of scalability how big a company it can be in terms of topline in the next 3 to 5 years?
- Rajesh Bhatwal:** The facilities what we have developed here in Dhule is phenomenal. I mean when it comes to electronic weighing industry and having about 32 years experience right from inception of this company, I know we have got a lot of scalability now. This was really managements dream, my dream to have a manufacturing facilities of this size and the latest technology and all that, so we can definitely do a lot of scalability grow exponentially when it comes to about 5 to 10 years I foresee a very good kind of a future for the weighing industry as well as us at Nitiraj Engineers.
- Aniket Redkar:** Got it. Sir, there is an increase in the employee expenses, so is there any additional hiring and are they fixed employees or on a contract basis?
- Rajesh Bhatwal:** There are both kinds of employees in our factory here and basically Dhule we started newly we have to appoint a lot of new people here and a lot of efforts have been taken in training them but the most important part what we are trying to play now in training our



*Nitiraj Engineers Limited  
June 24, 2021*

employees recently joined in our Dhule factory now we have about 175 people working and some of them are on contract and some of them are on a payroll directly.

**Aniket Redkar:** Sir, last two questions, how much revenue can be expected in online sale? What is the strategy for the same and when did we start this online sale?

**Rajesh Bhatwal:** I will bifurcate the answer into two parts. One is we started digital marketing, digital marketing in online sales are they go hand in hand. Digital marketing, we started about 8 to 10 months back and we started advertising through Facebook, Google, LinkedIn, Whatsapp and kind of social media. We are already having a team of about 15 guys appointed in that period when we started the digital marketing and we equipped them with all technical, softwares and immediately sending the catalogues and prices things like that and we are able to generate about 15 to 20 lakhs additional revenue to the company per month. We hope this will go further. This was just our trial in the distant times we have seen, especially in the COVID period this digital marketing helped us a lot wherein our sales guys could not physically go and reach to the shops or houses for selling our products, which was the earlier style of working. Now we are doing a lot of work from digital marketing. We are getting very good response. When it comes to online we have registered ourselves in Amazon and other kind of online marketing portals, which is coming up now like I explained the weighing scale as a very wide range of products, so we also have weighing scales like personal weighing scale, kitchen weighing scale, which are used in the houses, the door-to-door kind of a marketing and there we are getting very good response, we developed recently about two different models for personal weighing scales and we are selling good on online, also we are doing good on currency counting machines and value counting machines online, they are getting sold.

**Aniket Redkar:** Sir, how do we decide of modes of marketing the brand and what is our marketing budget?

**Rajesh Bhatwal:** When it comes to marketing the brand, we have been doing a lot of commercial advertisements on television past years and then over a period of time we realized that we should be focusing more on attending exhibitions, keeping our new developed models in the exhibitions, mostly the major way what we market is we upgrade our team like as you know we have got 400 dealers, and 17 branch offices, so there is a big people who are into marketing people appointed by the company. So upgrading their knowledge, giving them training, following up with them basically about targets and achievement is a very important key role in this and then people keep on giving us a lot of feedbacks and information about demands in the market, which again leads to our new developments of new models. So, we do not have as such specific kind of a budgeting for marketing, but



*Nitiraj Engineers Limited  
June 24, 2021*

as per need we definitely are spending a lot of amount on holding our annual sales conferences, giving advertisements and TV commercials and other things newspapers, so Phoenix is definitely very well known brand in weighing industry in India today. There is no doubt. I mean the brand has definitely been created over years.

**Aniket Redkar:** Got it. Only last question, do we have any capex plan?

**Rajesh Bhatwal:** Not at the moment. We have already invested huge in 2021 itself for putting up a new factory. Today we may have about two to three machines going to get added, but it is not a very high value amounts.

**Aniket Redkar:** Thank you so much and all the best.

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

**Priyanka Mehta:** Good afternoon, Sir. Congratulations for a good set of numbers. I have a couple of questions, the first one being since there are like no short-term borrowings this year, how was the working capital is funded?

**Rajesh Bhatwal:** We are always been a debt free company over a period of time and when it comes to our financial cycle we do not have much of debtors, our total debtors is divided into three parts, branch network business that in B2C, dealer set of business that is B2B and then it comes to government business. We have good business in supplying to government segment, so the outstanding from B2B and B2C is always negligible or nil I should say, when it comes to government business the cycle is about three to four months time and that is where our amount gets stuck sometimes, but then it is manageable.

**Priyanka Mehta:** The second one is, has the lockdown impacted the working capital cycle?

**Rajesh Bhatwal:** Not really the working capital cycle, but this lockdown impacted us adversely in a few kind of a situation wherein due to lockdown the raw material availability was difficult, the transportation was very difficult, the cost of transportation, availability of raw material we faced a lot of problem last year starting from May onwards after we started our factory after the lockdown was lifted, but then we took us about four to five months great efforts in streamlining and everything and when it comes to the working capital, it did not really affect much.

**Priyanka Mehta:** Sir, is there any specific reasons for having branch offices in only three states like Maharashtra, Odisha and Chhattisgarh?



*Nitiraj Engineers Limited  
June 24, 2021*

**Rajesh Bhatwal:** As you know, this company is about 32-year-old, so earlier we started putting up a branch offices since 1993-94, that time we used to do marketing through our branch offices and there were times when we used to have 65 branch offices all over India as we started expanding our business from 1993-1994 onwards but then over a period of time we realized that having so many branch offices, appointing our own employees and controlling them, scrutinizing their expenses ultimately trying to come out with the profitability was a big job rather than could focus on progress of the company. So we started changing our line of action from branch offices to the dealer's network. Some of our branch office they are converted to dealers point, and on the branch manager, so we did not go through all the day to day activities in details and focus more on the growth of the business, so branches in Maharashtra, Chhattisgarh and Odisha, we have a certain profitability ratios, which we draw every quarter for every branch so the branches were doing good in profitability, we continued the branch offices and the rest of the branch offices we converted to the dealer points.

**Priyanka Mehta:** Sir, home and hotel automation are comparatively new, so what kind of growth do we expect?

**Rajesh Bhatwal:** As we are working in the electronic weighing scales, currency counting machines most of our products are focusing on to commercial market segment and we always urge that slowly we should get into consumer electronics because that is a very big market for India and that is where we started with home and hotel automation products wherein we developed access control system, remote control operation, audio door phone, video door phone, so it is just the beginning of the range and we are getting very good response, above that we should grow rapidly on this lines in the coming future.

**Priyanka Mehta:** Sir, what is your advice for the topline and bottomline for the next year?

**Rajesh Bhatwal:** All depends if the third wave of COVID does not come again because if any kind of business we talk about predictions the first question that comes is what will be the situation of COVID-19 this year. April and May, two months were badly affected and now you are expecting business to grow, see basically in our line August is the peak business period wherein a lot of people require the weighing scales so I hope if the thing does not come again, the COVID does not come back as a third wave or something like that then we should be doing approximately 10% to 15% definitely more.

**Priyanka Mehta:** Right and Sir, since we already develop products from scratch, so the flexibility to manufacture relative products or products employing similar kind of manufacturing scale, does make in India provide huge opportunity to manufacturing sectors in relative products?



*Nitiraj Engineers Limited  
June 24, 2021*

**Rajesh Bhatwal:** Right from beginning, we emphasize on development in-house, so whatever we are doing we are not buying any kind of a technology or kind of ready stuff from out of India like most of the people do it from China, but we believe in developing it ourselves because then we can justify our product, do give better services and we can modify or rectify the design as and when required. When it comes to Government of India and the facility of make in India, I do not think it could be applicable to us and we try to open any government benefits for that.

**Priyanka Mehta:** Sir, do we plan to move to higher technology products?

**Rajesh Bhatwal:** Yes, we are definitely trying, there are products and things on our agenda, there are some products which we have been discussing, which are about to get launched even this financial year about six, seven products and by the time I finish off three to four products will be definitely working on certain very high value addition kind of products and the technology.

**Priyanka Mehta:** Thank you so much for the opportunity. Good luck for the future.

**Moderator:** Thank you. The next question is from the line of Jainis Chheda from Dimensional Securities. Please go ahead.

**Jainis Chheda:** Sir, actually some questions regarding the history of the company as well as the future like the aim that you have given in the presentation, so about the history from FY2016 to FY2018, the revenue fell from 61 Crores to 39 Crores, so any specific reason behind that?

**Rajesh Bhatwal:** It was only one financial year where our revenue had sizably dropped and that particular financial year in fact it comes to our total division of our revenue it is from the branch office sales, B2C, B2B and government business, so one particular financial I think I believe in 2017-2018, we had a fall of revenue, otherwise we have been doing above 50 Crores or about almost every year.

**Jainis Chheda:** Sir, any reason for the drop?

**Rajesh Bhatwal:** 2017-2018, it could be mainly because I think we could not get much of a business from the government side. 2017 was the year when GST was introduced and most of our dealer's network, we are not very well organized kind of a thing we used to have at that time and they could not understand GST. So most of them have shut down the business and just waiting and then I had to call people over here to our head office in downtrading kind of a system and I took the GST training and became GST trainer and then trained all

my guys, the dealers ask them to take the GST number and restart the business, so that itself took us a lot of time and that is the reason B2B was less and then the two when it comes to government business, earlier the government business was done through DGS&D and the rate contracts, there used to be yearly tender with central government DGS&D departments and we used to win those tenders, get the rate contracts and based on the rate contracts we used to get the business from the government segment, that particular year 2017-2018, the whole government purchasing was switched over from DGS&D and the rate contract to GeM portal and so the GeM portal was new so the lot of government buyers itself they are looking how to place the orders or how to go with the procedures of voting the tenders and things like that so we also took about 6 months to 10 months getting that so 2017-2018 was affected on government business as well as B2B that is the reason there was a fall.

**Jainis Chheda:** In terms of margins also the margins have been quite volatile historically, so reason behind the volatility and going forward what can be the margins steady state basis?

**Rajesh Bhatwal:** According to whatever products we are developing our kind of a product is the electromagnetic balances which are of 0.1 mg accuracy very high sensitive balances for laboratories and the jewelery and diamond dealers, we are very sure that this is a big line, which we have developed, for five years we have been working on this project and now it is successfully launched and many other products which we are into develop are definitely going to have better margins as compared to our existing. It is like whatever is the existing products in which we are established they are selling in quantities, these products profitability we may not be able to change, but it will sustain our expenses are having to marginal profits, the new projects will add on to the profitability side.

**Jainis Chheda:** So on a steady state basis if you can give us a broad understanding like it will go to 16% or it will be 15% from 14.5% because your peak margin has been 16% in March 2019. How it will move going forward?

**Rajesh Bhatwal:** I am looking forward for better profits obviously. Whenever the new products come in, the margins are better, but then a lot of amount has to be spent again simultaneously for marketing as launching products and there should be some understanding, but then this preference this for years once people try to sell, they go ahead and the margins keep on increasing.

**Jainis Chheda:** What is the average life of a weighing scale, after how many years do we get a replacement demand?



*Nitiraj Engineers Limited  
June 24, 2021*

**Rajesh Bhatwal:** Nothing much in the sense the replacement is not really required, the average life it is a solid state electronic, there is no wear and tear for perhaps a period of some time, if the weighing scale is used properly, it works, I have sold products in 1989 32 years back, and I know that satisfied list of customers are still using our products after 32 years.

**Jainis Chheda:** So, average life will be over 10 years as well?

**Rajesh Bhatwal:** You can comfortably say more than 10 years, but still people definitely would like to buy new model sometimes the reasons being the newer models are cheaper with more technology added into it. A simple example is that if you say TV set in the houses earlier each houses used to have big TV and convex kind of screen and occupying lot of space and high price, today we are getting LED and very thin TV where everybody is buying three or four TVs, so the electronic products are like that, the newer range are coming with lot with many additional features and technology with lesser prices, so people tend to keep on changing their products and weighing scales and go for the new ones.

**Jainis Chheda:** Sir, any ballpark years how fast people change like in case of mobile phone in general 3 years or 4 years, so similarly in case of weighing scales what would it be?

**Rajesh Bhatwal:** Weighing scale is specifically very essential product for any kind of a commercial establishment let that be a shop, retailers, wholesalers, like a mechanical scale so everybody could just operate it or people cannot use mechanic scales because they have not used it at all so maybe depending upon usage or the new ranges what we are adding in it, we are giving the total batch wise the older transaction you get a data mobile through Bluetooth app, wherein you have a period for excel files of your mobiles we can put them directly into your ERP, so it is depending upon the requirement for the customers, they keep changing rather than keep on adding the range I would say that way, we keep on adding more weighing scales, there are customers who have bought more than 250 scales from us for the shop and things.

**Jainis Chheda:** In terms of working capital days, I was calculating it comes to around 117 days, the net working capital so if you can help us over there like why is it so high?

**Rajesh Bhatwal:** I will tell you two things on this. Number one is since we have a very wide range of products if you just see, there are different ranges of products and many products have different scales, electronic and mechanical plastic, etc., I would not say plastic is very much different, but mechanical or electronics so to cater to such a big range we have to hold raw material range, raw material base from our range that is what the one that is why our raw material costs are more and that for working capital cycle. Secondly we are importing certain components, certain ICs or some kind of raw materials we are



*Nitiraj Engineers Limited  
June 24, 2021*

importing, so while importing we have to stock it for a longer time because the lead time and transportation time taken is bit too high, thirdly the government business what we have it takes some time in realization of our payments like for example we need that much working capital.

**Jainis Chheda:** Sir, any plans to trim down the government business or improve the working capital cycle?

**Rajesh Bhatwal:** Reducing the government business I would say no because it adds handsomely to our business so we are definitely working very strongly on it, but when it comes to raw materials I mean the working capital cycle we will try to work out something on our inventory with this COVID pandemic going on there is a huge problem in sourcing raw material, the costs have increased, the transportation cost have increased, availability is not there, the semiconductor industry is going through a very bad phase, which you must have heard from the news, so you know what is happening, during the ICE impact was available, we are just stocking them at whatever prices it is available. Mainly we do not want a situation wherein we have such a big setup from the client, we have the orders and we are not able to make it because see these orders are very critical if you do not have a single component of the bill of material we cannot make the product so in fact the situation now is very different. In fact our working capital would be little more required in the scenario till the time COVID does not surge.

**Jainis Chheda:** So you have guided that you aim to be a 100 Crores company in next three years, so obviously you will require the higher working capital as well, so any plans to raise debt or it will be completely funded through internal accruals going forward?

**Rajesh Bhatwal:** Accordingly to meet the topline keeps on increasing as the top margins, should be generated through our working itself.

**Jainis Chheda:** In your government contracts how much margins do you make?

**Rajesh Bhatwal:** Depends on the particular deal.

**Jainis Chheda:** Any range if you can share?

**Rajesh Bhatwal:** It could be anywhere between 10% and 20%.

**Jainis Chheda:** Thank you. Just one question, there is an associate named Hyper Drive Information Technologies, so what is that company about?



*Nitiraj Engineers Limited  
June 24, 2021*

- Rajesh Bhatwal:** They are a software making company and they have the complete ERP package for us. We spent about 15 years working together in developing our packages. This company is very high value and a very strong package on which our organization runs. They are into software. They also put up the company in US now and developing products in software where they have also started marketing the same in US.
- Jainis Chheda:** Do we hold any investment in the company?
- Rajesh Bhatwal:** Yes, we hold roughly about 24% of the company only to keep control of our software maintenance and ERP.
- Jainis Chheda:** Thank you so much.
- Moderator:** Thank you. Ladies and gentlemen that was the last question. I would now like to hand the conference over to Mr. Rajesh Bhatwal for closing comments.
- Rajesh Bhatwal:** Thank you so much. I would like to take this opportunity to thank each member of Nitiraj Engineers family. I would also 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 so much.
- 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.