MACFOS LIMITED

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Dated: 15/11/2024

To,
The General Manager
DCS-CRD
(Corporate Relationship Department)
BSE Ltd.
Rotunda Building
P.J. Tower, Dalal Street, Fort
Mumbai-400001

BSE SCRIP Code: ROBU | 543787

Subject: Transcript of post-results Conference Call held on 13.11.2024.

Dear Sir(s),

This is with reference to our intimation dated 06th November 2024, with respect to Conference Call of the Company on Wednesday, 13th November 2024 at 4:00 PM (IST) for unaudited Financial Results of the Company for the Quarter and Half year ended 30th September 2024.

Pursuant to the Regulation 30 (6) read with Part A of Schedule III of the SEBI (Listing Obligations and Disclosure Requirements), Regulations 2015, Please find enclosed the Transcript of the said Earnings Call, for your information and records.

The transcripts of the earnings call is also available on the Company's website: www.robu.in

We request you to kindly take the same on record.

Thanking you.

For, MACFOS LIMITED

SAGAR SUBHASH GULHANE
Digitally signed by SAGAR SUBHASH GULHANE
Date: 2024.11.15 16:33:00 +05'30'

CS DCG(ICSI)SAGAR GULHANE
Company Secretary and Compliance Officer
Membership No: - A67610

Date: 15/11/2024
Place: Pune

Encl: As above.

"Macfos Limited

H1 FY25 Earnings Conference Call"

November 13, 2024

MANAGEMENT: **MR. ATUL MARUTI DUMBRE – CHAIRMAN AND MANAGING DIRECTOR – MACFOS LIMITED**
MR. BINOD PRASAD – WHOLE TIME DIRECTOR AND CHIEF FINANCIAL OFFICER – MACFOS LIMITED
MR. NILESH KUMAR PURSHOTTAM CHAVHAN – WHOLE-TIME DIRECTOR – MACFOS LIMITED

MODERATOR: **MS. ASTHA JAIN – SENIOR RESEARCH ANALYST – HEM SECURITIES**

Moderator: Ladies and gentlemen, good day and welcome to the Macfos Limited H1 FY'25 Earnings Conference Call. As a reminder, all participant lines will remain in a 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 star, then zero on your touchtone telephone. Please note that this conference is being recorded. I will now hand the conference over to your host, Ms. Astha Jain, Senior Research Analyst from HEM Securities. Thank you and over to you.

Astha Jain: A very good evening, ladies and gentlemen. Thank you for joining Macfos Limited H1 FY25 Earnings Call. Joining us on the call today from the management team are Mr. Atul Dumbre, Chairman and Managing Director, Mr. Binod Prasad, Whole Time Director and CFO and Mr. Nilesh Kumar Purshottam Chavhan, Whole Time Director, Macfos Limited. We will commence the call with the opening thoughts from the management. Post which, we will open the forum for Q&A session, where the management will be glad to respond to any queries that you may have. Before we go on to the main call, I would like to read the standard disclaimer.

There may be a forward-looking statement about the company and the subsidiaries, which are based on the belief, opinion and expectation of the company's management, as on the date of this call. The company does not assume any obligation to update their forward-looking statement if those beliefs, opinions, expectations or other circumstances should change. These statements are not guarantees of future performance and involve risks and uncertainties that are difficult to predict.

Consequently, listeners should not place any undue reliance on such forward-looking statements. With this, I will hand over the call to Atul Dumbre, Chairman and Managing Director, Macfos Limited to take it forward. Over to you, Atul sir.

Atul Dumbre: Thank you, Astha. Hello and welcome everybody. We are very pleased to present our financial results for the first half of financial year 25. This has shown a strong progress that we have made. During this period, we have achieved a revenue of INR147.62 crores and EBITDA of INR15.1 crores and a PAT level of INR10.29 crores. This is a significant growth compared to the half-yearly result of FY24. Where you can see revenue increased by 176%. EBITDA increased by 150% and PAT margins increased by 166%.

As we are always transparent in disclosures and discussions with our share owners. This revenue increase is partly driven by certain one-time corporate orders that we have fully executed during this period. And we acknowledge that these orders may or may not recur in future. And we do understand that there will be a lot of interest or questions or doubts surrounding these orders that we have completed. So, let us dig a bit deeper into these orders.

So, first of all, the high receivables are already received. So, if you see our financial statements, you will see that our receivables are higher compared to the regular receivables that we have. And those are mainly because of these orders. However, as on today's date, we have received around 90% of those receivables. So, that is no more a concern with these orders. Secondly, I want to say that our regular business is on track.

So, just to give you guys a bit more clarity. In H1 FY24, that is half yearly last year, we have posted a revenue of INR53.5 crores. So, this is a regular revenue without any bulk orders last year's revenue. The same duration this year, H1 FY25 we have revenue of INR76.3 crores excluding these bulk order revenues. So, I am just comparing H1 last year to H1 this year, our regular business without these bulk orders. And these both businesses, we have done roughly at a similar cross margin.

And if you see the growth from last year to this year with our regular businesses, 43% growth in revenue. So, our regular business is on track and along with these bulk orders, we are also growing our regular business as expected. Thirdly, it is all about balancing opportunity and risk. So, apart from numbers, I just want to put forward our thought process as directors while making decisions about these bulk orders. So, on one side, it is a really good business opportunity. I mean, big orders, good margins, why not?

On the other side, it comes with its own risks like credit terms, there are big cash flow risks. Even if you take some money from banks, there is again that risk. So, rest assured, we as a director are aware of this risk and we always take the decisions balancing this opportunity versus risk paradigm. And our decision is always to ensure the best for future of macro-symmetry. And fourth and the last point that I want to make about this is, team Robu is still focused on the basics.

So, for us, these bulk orders are cherry on the cakes. All our internal targets, let it be sales targets, let it be monthly targets for revenues, all our review meetings, all our dashboards, management dashboards, sales dashboards, inventory dashboards, everything in our company is excluding these bulk orders. So, both the directors and team Robu have a keen focus on what regular business we are doing and what is the growth and the profitability of regular business.

Are we on our target? Are we on track with our regular business? So, I hope with this 90% of your queries or questions have been answered. And as usual, if not, I'll be more than happy to answer any other questions that you have related to these bulk orders or any other. I'm not done yet. So, moving out of these bulk orders, our core business indicators, let it be website and app visitors, total order served, average order value and our customer retention rate, continue to show positive growth trends.

And we are excited about the future and committed to our strategies and initiatives for 2025 and beyond which is, of course, guided by our framework of Robu 1.0 and Robu 2.0. So, for those who are new here, Robu 1.0 is our electronic distribution business. And the focus in that business is delivering cutting edge technology products at competitive prices with minimal lead times to our customers. And we continuously keep on striving, improving our IT infrastructure, strengthening our supplier relationships, improving our lead times to improve efficiency in Robu 1.0.

This half year, our SKUs, number of products that we offer have increased by approximately 6,000. And we are inching towards our goal of building a comprehensive store in our domain. About Robu 2.0, we focus on creating our proprietary brands and products. And this is alongside our distribution business. So, Robu 2.0 is, let's say, 5 years to 10 years long term strategy which we believe will help us and position us strongly for the long term growth.

One disclaimer about Robu 2.0. Since it is a long term plan or long term strategy, every quarter or 6 months we might not have a substantial update about Robu 2.0. But whenever there is a substantial update about those, we will keep you posted. However, we are focusing on both Robu 1.0 and Robu 2.0 for a sustained growth in the long term. Looking forward, we are optimistic about the demand of our products. And with this, I would like to thank you for your continued trust and support that you give us. And let's work towards a bright and innovative future for Robu.in. Thank you for your time, guys. And we'll be more than happy to answer any questions or doubts you have.

Moderator: Thank you. Ladies and gentlemen, we will now begin with the question and answer session. The first question comes from the line of Soumil from Lucky Investments. Please go ahead**.**

Soumil: Thank you for the opportunity and congratulations on a great sort of number. I have a bunch of questions. My first set of questions is around the retail versus B2B business split. So, if I understand it correctly the retail business is the e-commerce business and the B2B business is the direct to corporate client distribution business. So within these two businesses, what is the revenue split? What is the working capital difference and what is the gross margin difference across the two segments?

And if you could give a sense of where you are heading in terms of sustainable working capital cycle for your B2B business, that would be great. If you could answer those questions first, then I will ask my second set of questions?

Atul Dumbre: Soumil ji, thank you for your questions. First of all, revenue split is roughly 50-50 in those two segments that you have rightly pointed out. Other than that, we do not really split. For us, it is one business. So, the orders that we receive online or the small orders, those are basically the people entering into doing something new for us and ultimately, some of them will mature and convert into industrial customers, big corporate orders. It is one business for us.

So we really do not go into splitting the cash flows or any other matter. We keep an eye on revenue that is happening in these two segments, but other than that, internally we do not split those two things and our cash flows and everything else is calculated overall revenue-wise. Since we are not doing it separately, I really do not know how to answer your second question where you are going with this.

Soumil: Let me put it this way. Just one clarification on the revenue. So 50-50 must be the split of the INR76 crores. The additional INR50 crores of one of the orders that you have in the first half that must be entirely B2B?

Atul Dumbre: Yes, those are one-time bulk orders that we have given.

Soumil: Those are bulk orders. So out of the 76, we have a 50-50 split?

Atul Dumbre: Yes.

Soumil: Now, for working capital, if I could ask you this way how much time what are your receivable cycles for the B2B business?

Atul Dumbre: In those 76?

Soumil: Yes, in the 76 and also the INR50 crores one-off orders that you want. If you could give me a sense?

Atul Dumbre: We really do not want to share this information on these calls. I am sorry, but I really do not want to share this information on these calls.

Soumil: Okay, no worries. On the one-off orders, was that one particular client or was it from multiple clients?

Atul Dumbre: Again, for those one-off orders also, we do not wish to share this information related to that. We firmly believe that our regular business is something where we want to keep more of our focus and we also believe that our investors would be also interested to know whether we are on track with our regular business, with our commitments, with our forecasts. So that is why we have made sure in the first half of the call itself that we give you a clear picture about the revenue growth with our regular business and the margin consistency with our regular business. I think it is just irrelevant information.

Soumil: Okay, understood sir. Thank you for clarifying that. Just one last set of questions. What is the sort of country-wide import value, if you could share that and in terms of SKUs, what is the thought process there? We have seen excellent growth in the number of SKUs that you have added in the first half. What is the thought process there going forward? How many SKUs do you see on your platform? What is the sort of medium-term target? And what is the market opportunity there in terms of both retail and B2B business? So, two questions here. One, country-wide imports and second on the SKUs?

Atul Dumbre: So, country-wide imports keep on varying on quarter-to-quarter basis. However, we have always said that our overall imports are 90%, 10% purchases through local. And I really do not have any numbers for country-wide imports right now on hand. Secondly, SKU growth, I always put it this way that as a management number of SKUs is like as a shareholder, number of SKUs should not directly be proportioned to the revenue or anything.

Because maybe in a quarter we will add many SKUs, but the average sales price of the SKU can be INR50, INR100, INR200 and maybe in a quarter we will add small number of SKUs, but average sales price of the SKU could be INR10,000, INR20,000. So, these decisions keep on changing based on what opportunities are there in the market at a given point in time. So, at the top line, what we focus on is having a good consistent revenue growth. For that, what are the categories that we want to focus.

For that, whatever may be the SKU count, we need to add in a particular category based on the opportunity availability in the market. So, I do not really have a SKU forecast that within so and so period I want to go to so and so SKU. I think our thinking process is always top line in the mind, growth in the mind and whatever SKUs, whatever segments will cater to that, balancing our cash flows and all those sort of things, that is how we proceed.

Soumil: Thank you for that information. Just a couple of follow-ups on that. On the country-wide imports, if you could just mention two, three top countries where imports come from. And on the SKUs, I definitely understand and thank you to you for providing that information. I understand that it should not be seen as a revenue driver, but what I am trying to understand is how much can we sort of expand this base so that we can truly become a one-stop solution.

I was asking that there is a sort of mood around the business that you are doing a commendable job in handling 30,000 SKUs. So, adding any further SKUs that probably puts you in a better position against competitors. Is that the right way of seeing it? If yes, do you plan to go in that direction? Is that your thought process? That was the question?

Atul Dumbre: About country-wise, I think China and UK are the top two countries of import for us. Secondly, your question surrounding the China and UK. The SKU-wise growth, I always say that there are three, four world-level players in this component segment, each having more than 10 lakh SKUs in this segment. So, I think there is an overhead space, enough overhead space for us to grow in this increasing SKUs and targeting revenue sales with Indian market maturing for electronics, a lot of startups, Make in India, all the policies coming in.

So, that is the confidence or that is the thing that we keep in mind when we say that is there an overhead space? Yes, definitely yes. Other than that, I really do not have any such information. And even if I had, why would I share it openly in a call? I mean, that is a strategic development information, but yes we certainly do not look for the things in that.

Soumil: Okay. Just finally, just wanted to re-check again, would you be comfortable sharing what are your receivable days for the sort of regular B2B business, not one-off orders?

Atul Dumbre: Generally, like we are very cautious when we provide credit to our B2B clients. So, not all of the clients have credit and receivables, but generally for this is not the average. This is the thumb rule that we follow. We want to generally be provided only 30 days credit terms to the B2B clients who have passed certain criteria that we have internally, but it is not an average. I do not have an average number on hand. But we generally do not want to go beyond 30 days. That too only for clients who have passed a certain filtering criteria that we have internally.

Soumil: Got it. All right. These are my questions for now. If I have any more questions, I will rejoin the queue. Thank you so much.

Moderator: Thank you. The next question comes from the line of Manthan Jhaveri from Motilal Oswal. Please go ahead.

Manthan Jhaveri: Yes, so my question was can you just repeat the revenue breakup of this big corporate order and normal business once again?

Atul Dumbre: Yes, so I would just like to speak about our normal business. And last year, H1, FY24 the revenue was 53.5. And this year the revenue is 76.3 which is roughly 43% growth.

Manthan Jhaveri: Okay, so basically around INR80 crores was big corporate orders. Is that correct?

Atul Dumbre: You can do the math.

Manthan Jhaveri: Yes. Okay, fair enough. Sir after the recent fundraising of approximately INR250 crores, any particular that we have deployed some of the amount in SKUs, in adding more SKUs. So is the entire INR250 crores put into use or it will still be materialized in the upcoming quarters?

Atul Dumbre: Could you please repeat your question? I could not get it properly.

Manthan Jhaveri: So, I mean, after the recent fundraising of INR250 crores, so can you just give us where these INR250 crores have been put into use?

Atul Dumbre: Okay. So the secondary fundraising that we have done, I think that is INR25 crores. That INR25 crores is as we have already conveyed to our shareholders about that INR25 crores is for our – that is four growth of Robu 1.0 where we want to put that fund into buying more SKUs and expanding more quickly our revenues and capturing more market in that sense. And a portion of that will be also spend to strengthening our IT infrastructure, strengthening the supply chain. So all these sort of things.

However, it is that way that INR25 crores will be utilized meticulously. We don't want to just rush in and spend the money just because we have it. We want to be meticulous about it and spend it cautiously maintaining our revenue, profitability, inventory parameters.

Manthan Jhaveri: Fair enough. And can you please guide with your normal business EBITDA margins? I mean, if it's in the mid-teens or like single digits on sustainable business, not from quarter-to-quarter?

Atul Dumbre: Okay, so I really do not have my EBITDA margins on hand right now, but normal gross margins as long as I remember, those center around I think 23%, 24%. Those are gross margins.

Manthan Jhaveri: Okay, fair enough. And these big corporate orders that you are talking about, so is that case-to-case basis or is there some tendering and who are the clients, without naming them, from which industry can you just help with that like from which industry, which corporate we get these orders?

Atul Dumbre: I don't think it is relevant which industry and all those things. However, I can answer that question. It is always case-to-case basis because as we said, we are always very, very cautious. It's a good opportunity with a good risk. And the only reason we do not want to share a lot of information about this is because as we said these are one-time corporate orders. So we just want to have, we are not sure whether we will receive or not receive in the future. So we want to keep our competitive edge as of now on for these orders.

Manthan Jhaveri: Okay, fair enough. And so we can expect our normal existing business to grow at a 40%, 50% base which we are anyways doing as of now. Is that safe to assume?

Atul Dumbre: I will say that we believe that we can do good growth in the future. However, we do not want to give any directional guidelines on that, on these calls. So yes, we are confident that we will do a good growth, strong growth, but I don't want to give any directional guidelines.

Manthan Jhaveri: Yes, fair enough. Thanks a lot. That's it from my side.

Atul Dumbre: Thank you Manthan ji thanks for your time.

Moderator: Thank you. The next question comes from the line of Balaji Vaidyanath from NAFA Asset Managers. Please go ahead.

Balaji Vaidyanath: Yes, good evening. I would just like to know this more than doubling of the 3D printer contribution in the first half of the current fiscal. What would you attribute that to?

Atul Dumbre: More than doubling?

Balaji Vaidyanath: The 3D printer contribution was 25.2% as of March 24. Today, it is around 13.5%?

Atul Dumbre: Yes, it is not I will say, one of the things. We have seen it time and again, based on different technologies, based on the trends in the market. It keeps on going high and low, the percentage in our segment. So, maybe a certain segment for a particular quarter or for a particular half year would go a little 2%, 3% lower or if the contribution is like 6%, 7%, it may go a little bit higher.

And specifically for 3D printing, because these products have high unit value. So, let's say average 3D printer, so lowest 3D printer start is around INR30,000 and the highest that it goes is up to INR3 lakh one product, one SKU, one quantity. So, because their size, the unit price is high. So, the fluctuations generally in 3D printing are a bit more even on the higher side or on the lower side. Other than that, I do not - there is no specific reasons. Like if you see, even electronic components have gone from maybe 4.7% to 8.7%.

So, something like this, we have experienced keeps on happening in a short term, but if you plot it over a long term, individually the segments are growing. And then there is, of course, this competition among the segments, one going up and down. That keeps on happening. There is no specific thing to that.

Balaji Vaidyanath: So, if you apply any kind of rough math about this one-off order which I do not want any further details about. If you just talk about the core business, would you agree that there has been some kind of softness, both sequentially and on a Y-o-Y basis?

Atul Dumbre: Sorry, could you please repeat your question?

Balaji Vaidyanath: I do not want the exact number of one-off business turnover, etc. I am not dwelling on the one off business. I am just saying that if you exclude the one-off business and just look at the core business, would you agree that there has been some softness as far as the revenue growth in the core business, both on the Y-o-Y and on the sequential side?

Atul Dumbre: What do you mean by softness?

Balaji Vaidyanath: I mean, if you exclude whatever number is the one-off component?

Atul Dumbre: Yes, so if you exclude that we have seen around 43% growth in revenue top line. So, I do not get that part of the question where you say is there some softness in that regular business.

Balaji Vaidyanath: So, 43% growth is the quarterly growth that you are talking about, right?

Atul Dumbre: Half-yearly growth like compared to last H1 FY24 to H1 FY25, that is the half-yearly growth, 43%.

Balaji Vaidyanath: 43% minus the one-off, you are not including a one-off in this?

Atul Dumbre: No, we are not including any one-off in this.

Balaji Vaidyanath: And could you say the same thing for this quarter in terms of growth for the regular business?

Atul Dumbre: So, I really do not have those numbers on hand right now, but yes, more or less, I will say as far as I can remember the regular business is growing smoothly. And though as an SME company, we are not required to post quarterly results. We are willingly posting our quarterly results. Those are published already, but I do not think you will be able to compare it because then again, there will be some component of these one-time orders during first quarter as well.

But yes, as long as I remember our regular business because all our internal targets and numbers are always on regular business. So, yes, I am confident that our regular business has not grown. You can attribute that growth even on a month-on-month basis compared to last year. It is a smooth business. No ups and downs that I do not remember those.

Balaji Vaidyanath: Just wanted to understand, in terms of one-off order, it is truly one-off for Robu or would you qualitatively say that some of your competitors have also obtained similar orders during the quarter or during the first half? So is it more like an industry-wide phenomenon or is it specifically unique to Robu? I am just trying to gather some market intelligence?

Atul Dumbre: If I think about that, I really do not have any knowledge of that because in our segment, I do not know a peer who is a listed company or a similar where I can have access to the data and then comparing it to their maybe previous data, I can confidently say that. If I have to talk purely on the basis of these orders like the nature of the orders and the segments and what not, I think again it is not sure like maybe those orders are even the industry-wise those orders are more or less popping in and out.

So, yes, maybe not the overall industry has grown by some amount, but maybe this time we have got some of those orders. It is really industry-wide also. I think it is one-off orders only, not the regular, very regular things.

Balaji Vaidyanath: Sure. Thank you so much.

Moderator: Thank you. The next question comes from the line of Rohit, an Investor. Please go ahead.

Rohit: Thank you for the opportunity, Atul bhai. It was a great presentation and a very nice initial commentary. Let me start off by saying that I hope you keep winning these one-off orders once in a while. My two questions, I mean, as you indicated that you are doing quarterly press releases and financial releases, etc and I think the aim is towards listing as soon as possible in the main board. So, something to that regard? I was curious to know the board composition. Is there any update on adding more board members or industry-level board members?

Atul Dumbre: Yes. Thank you, Rohit. First of all, thank you for your compliment and I also hope that we keep on winning these one-off orders. You pointed out that we are posting quarterly results even though they are not mandatory. So, the initial intention of the management is clear that because it is mandatory for main board and at some point in time, we have a wish to move on main board.

That's why we want to follow good practices for the main board and that was the thought process behind starting these quarterly results publications. We will become eligible as per the Government of India's rules as of today in 3 years. That is somewhere around March 26 to move on main board. However, we have not given any due thought process to that like whether we would really want to move when we become eligible or maybe we want to wait sometimes for some reasons. So, we just know that we will become eligible and we have a wish that we would like to move to main board.

However, there is no serious discussion on what are the advantages, what are the disadvantages and then whether we want to check those and then done that, tick that. No such discussion as on today. So, yes, our wish is there, but we will maybe give it a thought in some later time.

Rohit: Any thoughts on board member addition?

Atul Dumbre: Yes, this has been pointed out by many of our investors and good investors that we know that our board composition, it can certainly be improved. And we also will be more than happy to have certain people with experience and expertise in the segments that we are in. We do not want to rush for it and we are continuously looking for some good people to be added on board. And whenever anything materializes, we will definitely let you know. We have intention of making good board in long run. However, no hurries, good people with some industry expertise which will provide some advantage.

Rohit: Thank you. So, second question is, I mean, obviously, the nature of the business is that the growth is dependent on primarily inventory management and hence it is the IT infrastructure and the warehouse space. So, could you speak about that? How many SKUs can the software handle as of today and the space constraint, where are we. I do not think there is a space constraint probably, but how much more can we grow within our existing location? If you could address these two questions, please?

Atul Dumbre: So, about the software infrastructure, we have developed almost a full stack software which can handle. So, today we are handling 30,000 SKUs. We can handle even like 10 lakh, 20 lakh. It does not really matter because for software, once you have the basic infrastructure in place, it is just a matter of having maybe more space on the cloud or that stuff. So, it is just the cost will go on increasing for that stuff, but I think we are covered for whatever number we can imagine.

Secondly, about warehouse space, for us, it is an ongoing process. So, we always keep on enhancing our warehouse processing capability. So, roughly today we are handling around 1,000 orders a day on average. We want to keep our warehouse processing capabilities around 2,000 a day. So that in a day where we receive maybe 1,400, 1,500 orders suddenly we should be capable of handling that. So, that is the equation that we want to maintain in our warehouse capabilities. Soon as we reach to 1,500 level, we will start upgrading things which are required to handle 3,000 orders a day.

Space that is required to store the SKUs, that also we keep on having some space so that because although I do not want to talk about exact numbers or the planning that we have, but according to our planning, because now we are doing this business for almost more than a decade like the private limited, the proprietary chain, private limited and limited company combined. So, we have figured out the way that whatever our plan is, tentative plan maybe for a year or so, we need to have the warehouse space accordingly in our site and we are always keeping our planning according to that.

So, as on today, I think we are covered for next year. We are confident that whatever plans we have with SKU addition, we have the software capabilities already there and we are also capable by order processing as well as warehouse space required for that plan.

Rohit: Understood. That was helpful. And my last question is on the management in general. So, what is our employee count right now and second you have always mentioned in the past calls that the IT infra that we have is probably one of the most important advantages that the company possesses. So, from my understanding, I do not think we have a CTO. So, any thoughts around that also would be helpful to hear?

Atul Dumbre: So, employee count you asked, I think we have an employee count of odd 200 people as on today, 150 on our payroll and 50 people on contractual basis. And about IT infra, rather than IT infra as a company, Robu.in is bootstrapped and grown from bootstrap. So, we just take decisions based on the requirement that comes to us. So, about IT infra, what we are used to doing is because the requirement is not consistent. For let's say, for example, when we want to develop a very complicated module, maybe it will take 3 months time and will require 10 year experience expert, but after 3 months, we will not require that expert.

So, we have a balance of some team in-house and some collaborations with the companies from whom we are working for more than 5 years, 6 years for development of our IT infra. So, day in, day out, maintenance and smaller development, we want to do with the help of our in-house team. And the big developmental projects that keep on coming for a shorter period of time, we want to do it with the help of some external companies and that is how we have been growing.

And right now, we do not have any plans for CTO, simply because we never felt the need of having one. So, maybe in future, if we feel that there is need of having some person to take care of these things, then we can think in that direction.

Rohit: Thank you so much for your answers. Very helpful. Thank you.

Atul Dumbre: Thank you, Rohit ji.

Moderator: Thank you. The next question comes from the line of Chirag Achnani from Nigotia Investments. Please go ahead.

Chirag Achnani: Yes. Congratulations on your number. I think all of my questions are answered. Thank you.

Atul Dumbre: Thank you, Chirag.

Moderator: Thank you. The next question comes from the line of Vaibhav Lohia from CFM. Please go ahead.

Vaibhav Lohia: Thank you for giving me the opportunity to ask the question. I have a few questions in my list.

Moderator: Yes, Vaibhav. Please go ahead.

Vaibhav Lohia: So, what is the industry growth rate, sir?

Atul Dumbre: I am not aware of industry growth rate Vaibhav ji.

Vaibhav Lohia: Okay sir. And, sir, do we foresee any margin expansion or contraction going forward in our normal business?

Atul Dumbre: As we have said time and again, we would like to keep our margins in the range of 8% to 10% PAT level. That is always one of the key criteria even while growing, adding new SKUs, expanding the business. So, as on today there is no deviation. And future, I mean, we really do not have anything to comment on future. As on today, we believe that we can maintain around those levels and we are maintaining roughly there.

Vaibhav Lohia: Okay, sir. Thank you.

Atul Dumbre: Thank you Vaibhav ji.

Moderator: Thank you. The next question comes from the line of KR Senthilnathan from NAFA Asset Managers. Please go ahead.

KR Senthilnathan: Thank you for the opportunity. Just a bookkeeping question. The non-asset item has grown from INR6 crores to INR13.5 crores. So, what is it consist of number one and number two with respect to, I mean, like the [inaudible 45:49] with respect to this one-off order. So, it has been approved by borrowings or borrowed from some other business?

Atul Dumbre: Okay, so, could you please repeat your question your voice was, unfortunately, breaking. So, I could not hear you properly.

KR Senthilnathan: Can you hear me now?

Atul Dumbre: Yes, it is audible.

KR Senthilnathan: Non cash current asset consists of?

Moderator: I am sorry, sir. Your voice is not audible.

KR Senthilnathan: The noncurrent asset, is it audible?

Atul Dumbre: Yes, non-current asset has grown from INR6 crores to INR13 crores. That is your question.

KR Senthilnathan: Yes.

Atul Dumbre: Okay and the second question is?

KR Senthilnathan: Second question is something let's say the borrowings has increased. Is it to support the receivables for the time being and then, again, borrowings will come to the normal level or is that borrowings for long-term purposes?

Atul Dumbre: No. Those borrowings were to support the one-time orders and it will again come to the normal levels.

KR Senthilnathan: Okay. And, with respect to non-current assets?

Atul Dumbre: Yes, I will pass this to Mr. Binod. He will answer this question.

Binod Prasad: So, I am Binod. So, in other non-current assets, the major contributor is bank deposits that we have, I mean, it is FD of roughly INR11.5 crores which is given to bank as a collateral.

KR Senthilnathan: Okay. Got it. Thank you.

Moderator: Thank you. The next question comes from the line of Vedansh from VRV Investor. Please go ahead.

Vedansh: Sir, can you please give guidance on how next couple of years in terms of revenue or margin we are planning to scale up our business?

Atul Dumbre: Vaibhavji, we do not wish to give guidance on - in terms of numbers or the percentages for future forecasts.

Vedansh: At least, sir, if you can give some direction in terms of how the industry itself is evolving or like what's the industry itself going at or expected to grow at and how do we kind of play around that?

Atul Dumbre: So, about industry we always like we believe that industry is poised for a strong growth coming next 5 years to 10 years. And the key reasons for that we believe is if you look around yourself, a lot of things used to be mechanical. Let it be your automobile or let it be things like washing machine or fridge, anything that we have around us, but nowadays most of these things have some sensors, some modules or some IOT, Wi-Fi stuff. Even the cars are becoming more like electronic things these days. So, a lot of electronics is getting into our day-in, day-out life. That is number one.

Second is, Government of India rightly so have a long-term plan of Make in India or manufacturing in India and electronics industry is a big part of that because there are many things getting into our life, which are electronics. So, if you see, you will see a lot of electronics startups coming around us. Many companies at least trying to get into electronics manufacturing or making their own products and we believe this will also lead to a substantial market growth for next 5 years or 10 years. And of course, these people will require parts and Robu is dealing in those parts. So, based on this, we believe that industry is poised for a strong growth.

Vedansh: Got it. And sir, last question on this. So given that if you think about the world, the way it is changing from a quick commerce scheme of things. So, distribution is sort of becoming commoditized. So, what is the differentiation that we will be able to bring to let's say electronic parts, which maybe any of the quick commerce or e-commerce players would not be able to do? Do we have that confidence or do we have something which makes us comfortable saying that we will be able to do it better than others?

Atul Dumbre: Yes, I think it's a totally different segment. When we talk about the quick commerce part, those are the things which are like the one you referred to. I believe that is more applicable to short like FMCG goods or short shoes, shampoos in electronics. Maybe the consumer electronics types of stuff where you are buying a mobile phone or a TV and whatnot. So, that is a different kind of distribution. And the distribution that we are in which is basically the parts that are required.

It is a different kind of distribution where there is already a process and supply chain is in place where there are distributors of this company because along with these products, you require a certain technical know-how. Along with these products, you also require certain postal support. So, we believe that's a different kind of distribution. And the quick commerce and that is applicable more to the earlier part like the FMCG goods and clothing, consumer electronics. Not to this segment. That is what I believe.

Vedansh: Got it. So, sir, who would like if you were to think from a competition point of view or from a comparable peer point of view, who would be those existing dealers or distributors or there are online players also that are emerging? How is the landscape around the current distribution model?

Atul Dumbre: So, in this distribution model like no field is free from competition. And as the business is growing, overall market is growing. We see some players who are emerging in online space, some players who are also emerging in non-online space and it will keep on happening. We are aware of that. For us, it's a dual thing. One side, we know that day by day there will be players coming to this segment. And secondly, it is also a strong sign that the market is growing, the opportunity is growing. So, that is the perspective with which we look at this.

Vedansh: Got it. Thanks, sir. Thanks for your response.

Atul Dumbre: Thank you Vedansh ji.

Moderator: Thank you. Ladies and gentlemen, we take the last question from the line of Nitin Gumaste from Pro Value. Please go ahead.

Nitin Gumaste: Yes, thanks. So, I just have two quick questions. One is on the procurement side of Robu. So, you mentioned that about 90% of the procurement is in form of imports. So, obviously, you mentioned couple of countries. Now, my question is that when you are so heavily dependent on imports, then obviously the company is exposed to events like geopolitical risks or tariffs or those kind of activities, those kind of events.

So, how does the company plan to mitigate these? I guess you would have faced a similar kind of situation when COVID came out and I guess the company went through that period of time, but what is the risk mitigation plan as such for these kind of situations?

Atul Dumbre: And the second question would be?

Nitin Gumaste: The second question is on EBITDA margins. We have been seeing the EBITDA margins and the pressure as we move on. It has moved down from 14% to about 10.2% over the last 2 years, 2.5 years. One of the reasons could be that you are expanding at a very rapid pace. So, that would put some pressure on the margins, but where do you expect it to stabilize those margins in what range?

Atul Dumbre: So, first of all, I'll answer your question on procurement. In our industry, there are IP rights. So, there are different companies across the world who are innovating different electronics products and then they are having certain IP rights on those products and then they have their distributors appointed in different countries to distribute those products. So, geopolitical situation is always going to be a tricky situation for anyone.

Let it be a Tata or Mahindra making cars because we have seen their productions coming to halts or having impacted by the COVID and all those factors. So we are not one of the companies who will remain isolated, but what we believe is because we are into the parts business. So, if you take an equipment, we are trying to - Robu as a business is trying to provide different parts to make equipment.

And right now, government of India as a policy, the first step in the right direction will be starting assemblies in India or starting the small companies or even the bigger companies assembling new stuff and then making the end parts. So, the policies are aligned in this way. And because of IP and this, of course, in a longer run, let's say maybe 10 years, 20 years, I really don't know what will happen, but in a short term, we believe that the outlook is positive for us because ultimately, if companies or rather when right now companies are starting to Make in India and design or develop their own products or getting into the technical development, they require these parts.

And secondly about EBITDA margins, I think the EBITDA margins, if you check for the - let me just check for you.

Nitin Gumaste: That means the presentation only.

Atul Dumbre: Yes, I'm just trying to refer to presentation only. Yes, if you see the H1 EBITDA margin for 23-24, there were 11.28% then it is 10.23. I think only 2 years EBITDA margin is like this times and last times. So, when we look at the PAT level, we are maintaining our PAT and EBITDA also I think for this quarter, we are maintaining the EBITDA around same. It is because of those bulk orders, I think the EBITDA looks at lower level.

Nitin Gumaste: Being a bulk order, it might have impacted EBITDA a bit?

Atul Dumbre: Pardon.

Nitin Gumaste: Being a bulk order it might have impacted the EBITDA a bit one big order which you catered this quarter?

Atul Dumbre: Yes so because of these bulk orders, the EBITDA is slightly lower in this quarter. So, as a company, we always look at that 8% to 10% PAT and we want to maintain that. So, that is where we want to be.

Nitin Gumaste: Okay. Thanks a lot.

Moderator: Thank you. Ladies and gentlemen, this concludes our question and answer session. I would now hand the conference over to Astha Jain for her closing comments. Astha.

Astha Jain: Thank you, Ryan. On behalf of HEM Securities Limited, I thank Macfos team for giving the time we spent on this call and responding all the queries in a detailed way. I would also like to thank all the participants for joining this call. Now, I would like to hand it over to Ryan for the closing remarks.

Moderator: Thank you. On behalf of HEM Securities Limited, that concludes this conference. Thank you for joining us. You may now disconnect your lines.