“Mamata Machinery Limited
Q2 & H1 FY27 Earnings Conference Call”
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Moderator: Ladies and gentlemen, good day and welcome to the Mamata Machinery Limited's H1-FY27 Earnings Conference Call hosted by TIL Advisors.

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. Abhishek Mehra from TIL Advisors. Thank you and over to you Mr. Mehra.

Abhishek Mehra: Good morning, everyone and thank you for taking out the time to join us today in this Q2 and H1-FY27 Earnings Conference Call of Mamata Machinery Ltd.

The investor updates including the investor presentation and the press release have already been uploaded on the stock exchanges and on the company website. To take us through today's results, we have with us from the management team, Mr. Rajashekar Venkat – Chief Executive Officer, Mr. Apurva Kane – Strategic Consultant, RecTech™ and Investor Relations and Ms. Madhuri Sharma – Company Secretary and Compliance Officer and Chief IR Officer.

We will begin with a brief overview of the financial and operational performance for Q2 and H1-FY27 from Mr. Venkat followed by the Q&A session. Please note that any forward-looking statement made during the call, which can be construed as a forward-looking guidance, must be considered in conjunction with the risks and uncertainties that we face. These risk factors have been detailed in our prospectus document and follow-up annual reports.

With that, I would now like to hand over the call to Mr. Venkat. Over to you, sir.

Rajashekar Venkat: Thank you. Good morning, everyone and thank you for joining us to discuss Mamata Machinery's performance for the 2nd Quarter and First Half of Fiscal Year '2027.

This is my first Earnings Call as Chief Executive Officer. Some of you have interacted with me in the earlier calls and meetings and I look forward to continuing that engagement. For others who have not met me or spoken to me yet, a quick introduction of my past life. I have over 30 years of experience, most of them in the capital equipment space. I have served some large global multinational corporations as their head of operations for Asia, some of them like

Kennametal, where I served as their Director for Asia operations, prior to that with Dover, a large American conglomerate, and Mettler-Toledo, a large Swiss American conglomerate. I have done three Greenfield's in my past life and I have led commercial and manufacturing operations in all the past roles.

I would also like to record the boards and my own appreciation for Mr. Apurva Kane and the contributions he has made to this organization in his role as CEO and his continued valuable association with us as a Strategic Consultant for RecTech™ and Investor Relations moving ahead.

I would like to spend some time on the first half of the fiscal and provide context to the performance, discuss some important operational progress we have made during that period and see how the remainder of fiscal year 2027 looks like. Let me first begin with the headline numbers.

Revenue from operations for the 2nd Quarter stood at Rs. 41.1 crores against Rs. 53.4 crores in Q2 FY26, a decline of 23%. For the first half, revenue was Rs. 77.3 crores against Rs. 92 crores in H1FY26, reporting a decline of 16%. While gross margins for the first half held at 60% against 61% for the same corresponding period last year. However, negative operating leverage from the lower top line along with higher operating expenses including the higher exhibition and trade show costs incurred in Q1 weighed on profitability during H1 FY27. For the first half, we reported an EBITDA loss of Rs. 5.55 crores compared with an EBITDA of Rs. 9.87 crores in H1FY26.

There are three headwinds which affected our performance during H1 FY27.

- The first is the external environment and its continuation of what we discussed in our previous calls. The West Asia crisis has no resolution. Impact continues. Crude oil and polymer prices remain elevated through the whole of first half. For most of our customers, higher polymer prices led to significant higher working capital requirements which in turn led to deferral of their capital expenditure plans. Throughout H1, customers asked us to push back machine deliveries. However, these are deliveries against confirmed orders and not cancellations. So, we expect to make those deliveries in the second half.
- The second is the US market where the headwinds which we discussed over the past year persist. This was most visible in our packaging business and is reflected in the performance of our US subsidiary during the first half.
- The third headwind was more specific to us. Torrential rainfall in late July led to flooding of a factory in Ahmedabad and a complete shutdown of operations for a full week. Production resumed on July 30th. However, full-fledged operations were disturbed for another 5 weeks to 6 weeks thereafter because we had to clean up and normalize the plant and also clean up and refurbish the entire machines and stock

which was in the shop floor at that time. Because of this disruption, we are effectively looking at a 10-month year in this fiscal rather than a 12-month year.

Let me take you through the three verticals for the first half in terms of the segment performance:

These figures are for machinery sales and do not include attachments, spares and after-sales service revenue. Converting division revenue for the first half was at Rs. 40.9 crores against Rs. 47.7 crores in H1 Fiscal '26, lower by 14%. This business vertical's performance is already in line with annual targets and we expect it to do better in H2 of the remainder year. Packaging is where the shortfall is concentrated. Revenue for the first half was Rs. 10.9 crores against Rs. 33.3 crores last fiscal. Domestic demand and order intake have remained firm in the packaging business.

However, we face headwinds in the US markets as far as packaging business is concerned. We still expect materially better performance in this vertical in the second half. Co-extrusion division revenue for the first half was Rs. 3.5 crores against Rs. 7.5 crores in H1 Fiscal '26. This business is lumpy by nature especially given its size.

Orders are few, large and tied to specific delivery windows and we have advance orders scheduled for delivery in the second half. On the operational progress, the first half was very eventful as far as the operational updates are concerned.

The most significant development concerns RecTech™ or Recyclable Film Technology. In August this year, RecTech™ received 100% recyclability certification in the European Union from Institut cyclos-HTP GmbH. In October it received APR Design Recognition for Recyclability from Association of Plastic Recyclers in the United States. Together with the CIPET Certification we already held in India, RecTech™ is now independently validated across India, Europe and United States. All these three certifying bodies are gold standards in these three regional markets. These certifications are important because they back the claims we have been making on RecTech™'s value proposition not just in India but globally.

For brand owners and converters evaluating this technology, this is independent validation of RecTech™'s technology at a global scale. We also continue to strengthen our intellectual property portfolio. Two patents were granted to us in India in August for technologies used in our HFFS Machines in the Packaging Division and in our Quadra 600 machine in the Converting Division. Third, on the product side, we launched Vega 500 SF in the converting division, a solution for processing monomaterial films at high speed and with high accuracy. This sits directly alongside the RecTech™ portfolio because monomaterial films are what recyclable packaging requires and brand owners will only move to them if they can run at commercial speeds. Our RecTech™ strategy remains focused on not just providing the film manufacturing

technology but a complete compatible packaging and converting portfolio that is capable of processing recyclable films at a commercial scale.

We have also made a breakthrough in liquid packaging. Customer demonstrations are currently underway and a full-fledged launch is yet to take place. So, with that, we are also able to cater to the wet applications in the packaging division.

Now let me come to how we see the rest of the year. Backed by our order backlog and the order intake we have seen in recent months, we are fairly confident of achieving FY27 revenues on par with FY26. Our business has also been weighed towards the second half and we are geared to deliver a considerably higher second half to ensure our revenue targets are met for the year.

While we remain confident of achieving FY27 revenues at levels comparable to FY26, we are targeting mid to high single digit growth by accelerating manufacturing execution, optimizing production capacity and making extraordinary efforts to fulfil additional customer orders within the current financial year. As mentioned earlier, despite this being a 10-month period instead of a 12-month period.

Over the long term, our strategic priorities are unchanged from what we have set out before. We are building new export markets for the packaging division. We are expanding our product base into new categories. With our presence across the full flexible packaging value chain and with RecTech™ now addressing the industry's shift towards recyclable packaging, we remain confident of a long-term growth while maintaining a robust balance sheet.

To summarize, this was a half year in which external conditions and a one-time disruption at a plant held back execution which we expect to make up in the second half of fiscal year 2027. The gross margins tell us that the inherent business profitability is intact and as revenue booking scales up in second half, net profitability margins will normalize.

With that, we would be happy to take any questions. Thank you.

Moderator: Thank you very much. Sir. We will take the first question from the line of Dhiren Anurag, an Individual Investor. Please go ahead.

Dhiren Anurag: Good morning, sir. Thank you for the opportunity. My first question is, in June you indicated about 15% growth for FY2027. Now, we are expecting revenue on par with FY26 with possibly mid to high single-digit growth. What has prompted the change in guidance? Is it only exports that are facing headwinds or is there some pressure on domestic demand as well?

Rajashekar Venkat: Thank you. Yes, we did set out an estimated indication then. However, as I mentioned, there are three things which impacted us. Two of them continues to be external headwinds, the West

Asia crisis which still continues to mute some of the order intake from customers. Second is the US demand which has still not picked up, mostly in the packaging division. So those continue to remain a challenge.

However, we are also trying to mitigate some of these what we did last year and in the past quarters by focusing on other markets. However, the gap is slightly big to offset. The second is, as I mentioned, we lost close to 8 weeks this year due to the flooding and the recovery thereafter which has reduced the factory's output time, resulting in slower manufacturing and deliveries. That is the reason why we have these delayed situations.

However, as I mentioned, against the 12 month, in the 10 months which was available to us, we are confident of at least delivering revenues on par with last fiscal with a high probability of delivering a mid to high-digit growth.

Dhiren Anurag: Okay, sir. So just to continue on it, for an on-par revenue, we need about Rs. 156 crores in H2. That is twice the H1 and about 10% above the H2 FY26 revenue. So, the growth target, taking it as 5% to 9%, needs Rs. 167 crores to Rs. 177 crores, which is 19% to 25% above H2 FY26. So, are we positioned in terms of order book and execution to deliver this?

Rajashekar Venkat: Yes, we have a strong order book and also, we have finished goods close to Rs. 35 crores for which the dispatch clearances are awaited. So, the team is working to achieve most of them and hence we are in a comfortable situation despite H2, as you mentioned, being slightly more than last year's H2. So, that gives us confidence that we will be able to deliver these numbers.

Dhiren Anurag: Okay. So, what was the order backlog as of 30th September and what it is today against Rs. 89.6 crores in March ‘26? How much of it will be dispatched by March ‘27?

Rajashekar Venkat: As I said, we have close to Rs. 160 crores of orders in the backlog already. Okay.

Dhiren Anurag: So, just a last question. Have any orders been cancelled or do you hold advances against the deliveries deferred in H1? And if polymer prices stayed elevated in H2, what happens to the guidance, is there a possibility we may revise it again?

Rajashekar Venkat: We don't have any orders which are cancelled while there has been delayed delivery demand from customers and we definitely have advances secured against all the orders. Without advances, we don't even log the orders in the system. So, all the orders which are in the backlog have desirable advances.

And in case if there is a price variation, for example, if raw material prices goes up, then yes, it has a direct impact on the end customers' pricing as well of the equipment that they buy from us. And in case if raw material prices fluctuate, then it purely depends on how customers are

viewing it in their overall business situation. But for now, most of the customers have confirmed to take the deliveries in H2 and that is what we have put in our manufacturing plan.

Dhiren Anurag: Okay, sir. Thank you and all the best for the upcoming quarters.

Moderator: Thank you. The next question is from the line of Jash Bhurjee from Jash Bhurjee Investments. Please go ahead.

Jash Bhurjee: Yes, on the packaging machines, we sold 17 machines in FY26, right? I'm just trying to understand how are we reaching out to our customers and is the market, I want to understand the market -- is it very big or we have a large chunk of the market in 17 machines that we have sold? Can you please explain?

Rajashekar Venkat: Yes**.** As far as packaging division is concerned, this is the newest division for us. The 17-18 machines in the packaging division were all given to one large customer and this is just a small part of their total CAPEX requirement because it is highly dominated by competitors and we were able to demonstrate our equipment's superiority based on which we have secured this order. Packaging demand definitely in domestic market has grown up because our opportunity pipeline has grown by 3x and our efforts in the African market, which we mentioned in the past, has also given us a good opportunity pipeline.

So, as I mentioned earlier, since packaging in US is down, so we are extending our reach in the domestic and African market where we have created a presence and thereby trying to offset some of the shortfall and our opportunity pipeline has grown. This is not just the total addressable market for us. The total addressable market is quite large and hence we see higher growth opportunities for us in the packaging division.

Jash Bhurjee: Okay. So, what are the marketing efforts that we are doing to extend our reach in packaging? Is it part of the exhibitions that we do wherein we have done about a Rs. 20-crores expenditure?

Rajashekar Venkat: Exhibitions are definitely one part of it. Beyond exhibitions, we have also increased our digital presence a lot. Just to give you some numbers, a year and a half ago we had 3,000 followers in LinkedIn. Now we have crossed 15,000 followers in LinkedIn, likewise in all the other social media pages. So, we have gained followers by 4 or 5x. So that is one method of increasing our market brand visibility.

The other what we are doing is we have identified a list of key accounts and our sales team has been mandated to go behind those focused key accounts. So, there is a lot of key account approach that we have brought in. In addition to that, we have also now introduced geographical penetration in some of those markets where we were not present.

So, we have adopted a multi-strategy for packaging division to expand and that is what has led to the increase in opportunity pipeline that I have mentioned.

Jash Bhurjee: Understood. I have seen some aging trade receivables past 6 months, Rs. 20 crores. Have we entirely received it this quarter? Because I have seen there is some amount which has been received. Is it entirely now being received?

Rajashekar Venkat: Most of that has been received because currently our total aging is close to Rs. 12 crores. So, most of the debt that you see has been recovered and whatever is remainder even in this, we have clear plans to recover from the market. So that is a strong plan which is already put in place.

Jash Bhurjee: Thanks. Thank you so much.

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

Aditya Baid: Good morning, sir. Thank you for the opportunity. So, my first question is how much revenue moved out of Q2 because of the flood? Was the stock and equipment damaged? Is it insured? And what was the cost booked in Q2 on the account of this?

Rajashekar Venkat: So as far as what moved out from Q2 would be close to Rs. 25-odd crores on the dispatch side. And due to the floods, we have ensured everything is covered under insurance and we have already submitted our claims to the insurance company. So, we are waiting for the final verdict to receive. Once we get to hear how much of that they are going to cover, then we will have better visibility on what we will be able to recover and what will not be.

And can you please repeat the third part of your question?

Aditya Baid: Sir, the third part of the question was what cost was booked in Q2 on account of this?

Rajashekar Venkat: We have not yet booked any cost yet because we are waiting for final clearance from the insurance. And once we receive their details, then appropriately we will book it in Q3 and Q4.

Aditya Baid: Understood sir. Your exchange intimation at the time to put the plant shutdown was at 5 days, but we are now quoting an impact of up to 5 weeks to 6 weeks. Can you elaborate on this? Was these 5 weeks to 6 weeks disruption not expected at the time?

Rajashekar Venkat: So, the plant shutdown was 5 working days and we had a lot of machines which were in the final stages and some which were in semi-finished stage. So, all those machines got submerged. So, we had close to 3 to 4 feet of water in the plant. So, you can imagine all the machines would have got submerged more than 50%. So thereby leading to various electronic mechanical and electrical damages. So, we had to dismantle all those machines and we had to check which

materials are damaged and which ones are not and what corrective actions has to be taken. So, we had to rebuild all those machines which were in the shop floor. So that is one herculean work which took time.

The second is also the stock that we have, be it the raw material stock or sub-assembly stock, they were also submerged and most of them had to be either recovered or destroyed. So, evaluating the entire factory team had to spend extra hours to check each and every component because we really want to qualify what is not appropriate and remove them from the stock. So, all of that took time across all the 3 divisions and thereby we lost 5 weeks to 6 weeks which I mentioned.

This was obviously when torrential rains hit Ahmedabad, we didn't expect that we will get flooded. At the moment flooding happened, we realized that we would have to lose so many weeks because we would have to spend extra hours in recovering or refurbishing all the machines and thereby also scrapping what is destroyed or damaged.

Aditya Baid: Definitely sir, understood. Also, there was no machinery revenue in Q2. What is the pipeline of 9-layer lines and what is scheduled for H2? How has the order intake been in H1 for the co-extrusion business?

Rajashekar Venkat: So, as I mentioned extrusion business is a lumpy business. We have one 9-layer plant scheduled for dispatch in H2. We also have one plant which is already ready and awaiting customer clearance for dispatch. We have additional 3 more plants in the pipeline which would come under manufacturing and dispatch in H2. So, we have a backlog of orders which will all get cleared in the second half.

Aditya Baid: Okay sir. My next question is regarding the product development efforts for secondary packaging and liquid packaging lines. How far along are they and what is the breakthrough? And also, I wanted to understand how large is the total digital market for this?

Rajashekar Venkat: As far as secondary packaging is concerned, the horizontal secondary is fully ready and we have started inviting customers to come and have experience there in our factory. So, we already have two customers who came and had a look at it. We have also started promoting to some of the large snack giants in India.

We would like to get some initial success in India and then bring it to the global markets because introducing new products in India closer to us is more appropriate so that we are able to learn from customer sites. And once we have the right knowledge available, then it would be appropriate to bring it to global markets. So that is the strategy that we are taking.

The secondary for vertical is fully ready and because of Diwali, we couldn't invite customers. Now we are well positioned and we are awaiting customer confirmations, most in the snack

segment, to come and have a look at these machines. And most of them are in line with customer requirements in the shop floor.

The requirements or the addressable market for India is definitely high in the vertical segment because the throughputs are high with labor non-availability in all the states. It's becoming challenging for manufacturers to pack the products, primary products and secondary using labor force. And hence, there is a big demand from customers that there should be an appropriate solution. And most of the secondary solutions are customized solutions. There is no one standard fit-for-all approach. So, while we have the concepts developed, we are awaiting to sign few initial deals.

And again, there are strategies not to boil the ocean. We would rather pick two or three large accounts who have multi-plant operations so that we would like to strengthen the solutions. And since, as I mentioned, these are all customized solutions, we would not also like to stretch our teams. Rather, go behind three or four dedicated accounts thereby generating volume. So that is our way forward.

Aditya Baid: Understood, sir. Thank you so much for the opportunity and I wish you all the best for the upcoming quarters.

Rajashekar Venkat: Okay.

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

Mosam Shah: Hello.

Rajashekar Venkat: Yes.

Mosam Shah: Am I audible?

Rajashekar Venkat: Yes.

Mosam Shah: So just wanted one clarification. You said Rs. 35 crores of goods that are deferred to Quarter 3. From that Rs. 25 crores is due to rains. Is my understanding, correct?

Rajashekar Venkat: I said to one of the earlier questions, how are we looking at the increased revenue in H2 versus last year? Because even to meet last year's revenue, we have to deliver 15% more versus last year's H2. Against that backdrop, I mentioned that we already have finished goods which is available for us worth Rs. 35 crores which can be invoiced immediately.

Because on one hand, we have the shortage of production time because against a 12-months, we have only 10 months. So, our natural follow-up would have been with reduced amount of

time, how are we so confident? And hence, my response to all of that was we already have ready stock available which would be invoiced.

And the Rs. 25 crores was a movement because of the flooding. Since we were not able to dispatch, so we had to inform our customers that we have lost production time and thereby requested them that we would deliver those equipment's maybe one or two or three months later and we got their confirmation. So, to the earlier question, what was the revenue which was lost in Q2 due to flooding which moved to Q3, that was Rs. 25 crores.

Mosam Shah: Okay, thank you for the clarification. And my first question was with the significant improvement in revenue execution expected in H2, can you elaborate on the expected recovery in the EBITDA margin?

Rajashekar Venkat: I would not be able to comment on that now because in our case, just like any capital equipment, the moment you have a strong top line, you have much better absorption of all your fixed costs. So, I would rather wait for the second half to get over and then be in a better position to respond to this. Because anything now would be more speculative and I would like to avoid that.

Mosam Shah: Okay. My second question is with respect to RecTech™ Technology. So, after receiving all the certifications from India, Europe and USA, what revenue contribution can we expect in the next 2 years to 5 years? I am not talking for the short term. I am talking in next 2 years to 5 years, what is the expected potential revenue that we can expect?

Rajashekar Venkat: I would invite Mr. Apurva to respond to this. Mr. Apurva.

Mosam Shah: I am sorry, sir, you are not audible. Apurva, sir, you are not audible.

Apurva Kane: Better now?

Mosam Shah: Yes, yes, much better.

Apurva Kane: As I said, as you have rightly observed, our certification phase is over and now we have…

Mosam Shah: Sir, your voice is breaking again. We couldn't hear you clearly, sir.

Apurva Kane: So, we have started talking to FMCG companies and find what we call as first three or four converters who would start using RecTech™ for their packaging needs. Once this is done, we will get a better handle on what kind of volumes are required and based on that, we will be able to lay down timeline and along with that, its impact on the revenue for Mamata. Having said that, even if we consider even just 1% of PET-PE getting converted to RecTech™ globally, the value of that material in terms of purchase cost to FMCG companies close to USD3 billion.

We are talking about a very large opportunity, but this is going to take time and it is going to take a little bit more time to actually attach some figures to this as to what will be the impact on revenue. One thing that has worked in our favor right now in favor of RecTech™ is that Government of India last month has imposed anti-dumping duty on PET films and because of that, currently as per our costing that is available, the cost difference of 5% between PET-PE film and RecTech™ film has now become zero. In fact, RecTech™ film is marginally cheaper than PET-PE film, delivering better performance and at the same time fully certified as recyclable. So, we think that we will have early adopters pretty quickly now as compared to what we were thinking last quarter. Thank you.

Mosam Shah: Okay. Thank you so much. And my last question was regarding the liquid packaging that Rajashekar Sir mentioned in the opening remarks. Can you just explain the scope and about the product?

Rajashekar Venkat: So, when we say liquid packaging, if you have seen the liquid detergents for example or the liquid sauces or liquid juices, most of them they have a spout, a cap which you can open and consume the product and close the cap. So, we have developed and manufactured a product to fulfil this particular customer demand and this is dominated largely by European manufacturers. We found a beautiful sweet spot for us and with the technology that we have, we were able to produce a product which fulfils this demand.

So, we have just produced it, we have just introduced it to some of our customers. A full-scale introduction product launch is yet to be done. So, we definitely see good opportunities for us moving forward because so far, we have been focused on the dry segment in the packaging division in both the horizontal and vertical product lines.

So, with the liquid product which is ready in our portfolio, we see new revenues opening up for us as we move forward.

Mosam Shah: Okay, thank you and all the very best.

Rajashekar Venkat: Okay.

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

Yug Baid: Hello, am I audible?

Rajashekar Venkat: Yes.

Yug Baid: Good morning, sir. I have a few questions. The first is regarding the H1 packaging revenue that is Rs. 10 crores against Rs. 33 crores, down by 67%. Does the indication of 30% to 40% growth in the domestic packaging still holds for FY27?

Rajashekar Venkat: Yes, it does. As I mentioned, we have a strong pipeline and it continues to remain strong for us. The shortfall in H1 in execution was again mainly two reasons. One is the US, which continues to have persistent headwinds and leading to the shortfall. And the domestic market has come back strong and as I mentioned, ROW is also trending strong with our new initiatives in ROW, mainly the South African region. So, all of that is giving us confidence that we will be able to deliver the committed goals.

Yug Baid: Okay, got it, sir. And the second question was regarding; can you please give us an update on the status of the 18 VFFS machines and the South Africa order that was due in H1?

Rajashekar Venkat: Yes, so both those orders have been served. The machine in South Africa is already installed and it is under production. The 18 HFFS machines have already been delivered and some of them, customer has already installed because their overall project is delayed. But however, they have consumed some of those machines in their existing requirements. So, they have gone under production.

Yug Baid: Okay, okay. Understood. And the next question what was the MEIS H1 revenue against last year? And the tariff concerns appeared to ease from Quarter 4 FY26. So, why do headwinds still persist in the US packaging business and when do you expect a recovery?

Rajashekar Venkat: As far as headwinds are concerned -- the headwinds are there mainly because of the tariff threat and only two months ago, Mr. Trump regularized tariffs on India as 10%. Until then, it was looking at 50% and hence most of the decisions were delayed. So, the moment this normalized, the converting division orders started coming in.

So, we have some good orders which we received in the recent past. While as far as packaging is concerned, there is an overall muted recovery in the US market because the inflation has gone up. And the packaging division in some way directly serves to the end consumers.

And there has been a major slowdown in the consumer sentiment with inflation ticking there close to 6% or so, to my last memory. Things are still looking challenging. And the moment the consumer demand improves, then all the FMCG companies would bring back their capital investments on the table. Until then, we see there would be this headwind continuing.

Yug Baid: Okay, understood. And the last question was with the certifications now in place in India, Europe, and the US, how many customers are in discussion for trials? And what kind of market acceptance are we seeing? When is the first commercial order expected? And have you been able to win an anchor customer or FMCG brand that will derive initial adoption?

Rajashekar Venkat: Well, I will hand over to Mr. Apurva.

Apurva Kane: Yes. So, we are talking to several large FMCG companies in India currently, for as early adopters of RecTech™ Film. One of the companies in North has already identified four SKUs for which the trials will begin on four SKUs being put into the market for their own internal validation. We continue to do presentation and provide samples to other FMCG companies. But as I said, with this recent development of the cost delta being erased, I think the decision making will accelerate in the coming quarter. So, we would have a better take on this, say by end of March, as to how many early adopters are there. We are trying to create between three and four early adopters and then use these data points to take it outside of India. That is the strategy currently.

Yug Baid: Understood. That is it from my side. Thank you. Thank you for the opportunity.

Moderator: Thank you. The next question is from the line of Dharmin Parekh from D M Corporation. Please go ahead.

Dharmin Parekh: Yes, am I audible?

Rajashekar Venkat: Yes.

Moderator: Yes.

Dharmin Parekh: Thanks. Thank you for giving me the opportunity. There are a couple of questions. First is, there was a stake sale by promoters in previous quarter. So, can we expect any further stake sales by the promoters going forward?

Second is, though there is a very big opportunity in FMCG industry what we are focusing, but why are we not focusing on pharma packaging as well as that opens up a completely different TAM for us. And it's pretty huge as India is considered to be the pharmacy of world.

And third question was, if you look at our revenue in past 3 years, there has been hardly single digit growth in terms of revenue. If we compare that to the peers listed in our DRHP, let's say, they are more focused on extrusion compared to which we are focused on three categories like converting co-extrusion and packaging. We have so many patents. We have great technical know-how management, but still why we are not able to deliver. These are my three questions.

Rajashekar Venkat: Yes, I will respond in the reverse order and leave the first one for Mr. Apurva to respond. So, as far as extrusion is concerned, yes, I agree with you that we are having challenges and while others in the same space are slightly well-positioned. One reason is we are more niche in our products and solutions and we are not catering to the mass market.

We are anywhere between 60% to 120% more premium than the nearest competitor in the domestic space. So, that is one reason because of which we do not have consistent revenues. We are more focused on special applications where we see good opportunities and also good

profitability. So, our entire business philosophy is not to chase large numbers with very low margins, whereas focus on niche applications where we are able to command better margins. So, that is one reason why this particular business is lumpy in nature.

Coming back to your second question on packaging division in the pharma space, yes, I do recognize that and we do acknowledge. As I said earlier, packaging division is the newest in the business group and we are trying to command the dry applications and in many of those same customers, there are also possibilities of wet applications which we want to establish ourselves. As far as pharma is concerned, it is a completely different ballgame altogether. While we say it is all packaging machines, but the ask is very different. The applications are very different. So, at this moment, yes, it also offers great pricing, but at this moment, we would not like to go there.

Moving forward, definitely we have our own pharma strategy, but it calls for producing or building the right products and solutions, which is already in the drawing board as of now as we speak.

Coming back to your first question, I would request Mr. Apurva to respond.

Apurva Kane: Yes. Could you please repeat your first question?

So, as far as promoter dilution is concerned, there was a stake sale, close to about 2.4% by one of the promoters. The entire promoter group still continues to hold their position. This was purely for personal reasons. As far as going forward is concerned, time can tell. We do not have plans as such for any immediate dilution by promoters.

Dharmin Parekh: Okay. Now, coming back to the first question, since you are saying that we are more present in niche category, the quality of the products is superior. Let us say we take that into consideration, but since we will look at our performance, at times we realize that the market which we are trying to aim at with our superior quality products might be small compared to, I am not saying too much of a mass product, but we have to either diversify or come down in terms of product offerings, where our TAM could increase in size. So, don't you think that?

Apurva Kane: Our strategy is to use innovation which would give us healthy margins. So, it is a dual-pronged strategy. I would not like to name any of the competitors, but if you were to take a closer look at their balance sheets, you will find that whatever they are selling as film plants or co-extrusion blown film plants, hardly any of our competitors are making any money, while we continue to have healthy margins. I think our investors would prefer a company that is generating healthy margins rather than chase top line.

Dharmin Parekh: Correct, sir. Got it. Thank you so much.

Moderator: Thank you. The next question is from the Sahil Doshi from Thinqwise. Please go ahead.

Sahil Doshi: Hi, good afternoon and I just want to understand more on the packaging segment. We have seen the headwinds in the US. So, could you just call out in terms of, is there any meaningful recovery that we are seeing of late and what are our targets for this year and how do we see this segment evolve? In case there is no recovery, how do we try and plan for the future? Could you just lay out the strategy in terms of packaging and what are the targets for this year and possibly for the next couple of years as well?

Apurva Kane: As far as US packaging is concerned, we continue to have headwinds because currently the import duty on packaging machinery from India is at 10%. In converting, we do not have local manufacturing to compete with. While in packaging, there are quite a few local American companies that actually manufacture packaging machines and we are competing with them. So, they have a natural price advantage as far as we are concerned because two things have happened. It is not only that there is a 10% duty, but the cost of shipping from India to USA has tripled in the last 1 year. A container that used to cost around USD3,000 is costing nearly USD11,000 today. And the time to ship used to be 21 days. It was the sailing time that has gone to 47 days currently. So, all these things compound. It is not just the duty or the tariff. Doing business in USA right now is slightly difficult. However, the converting division within USA also has delivered much better figures than last year.

As far as packaging is concerned, if the US market does not recover, since the last one year, we have been working on it. Rest of the World, which is the markets of the Far East, Russia, the markets of Africa, particularly South Africa, and we can see green shoots already. So, we are diversifying markets. On the other side, we are focusing on the domestic markets in terms of diversifying our portfolio so that we can generate greater volumes and deliver on the growth that we have indicated all along.

Sahil Doshi: Sure, that helps. Just broadly, we were at Rs. 49-50 odd crores of gross packaging revenue. How should we think of this number maybe for this year and the next couple of years? Because essentially, the idea was that this will be the growth lever for the company. So, as a whole, the segment, I understand you said 30 to 40 for domestic. As a company and as an entity, how should we think about this for this year and the next few years? That will be really helpful. And if there is any change in strategy also, if at all, post Mr. Rajashekar coming in, if he can illustrate that as well.

Rajashekar Venkat: This division continues to be our main focus division, as mentioned in the past, because this offers a much higher headroom to grow and also because we are a new entrant in this space. There is no change in our strategies or our focus versus what we have been committing in the past. That remains that is number one.

Number two, rather we are now more aggressively investing in the packaging division with more feet on street, with more backend team in the operations and the design space more investments in overall people, in our go-to-market strategy, in our channel development. So, a lot more work is happening in the packaging segment versus the other two divisions, which tells us that we are sticking to the commitment that we have made. So, it is going to take some time because we are getting a new market. For example, South Africa, we had one success.

Based on that success, we also participated in a trade show, which was very well received. And we were probably the only company in the entire trade show to display a machine, a full-blown machine. These are some of the positives.

In the background of that, as I mentioned earlier, our pipeline has been growing strong. We are trending very positively in Southeast Asia as well because only in the last 1 year, we started putting our ground efforts. All of this will culminate and convert into a very strong demand for us as we move forward.

While in domestic as well, as I mentioned earlier, our opportunity pipeline has grown by more than 3x. And we are already seeing a very strong order book so far. And all of that is coming from domestic.

And moving forward also, the number that you mentioned, we are looking at surpassing those numbers. And the majority of it would be from India followed by Rest of the World. And we definitely look forward to the US markets to come back because that can give us a big swing.

And the team there is continuing to focus and continue to nurture some of the opportunities that we have. And it is also important to go on record that we have not lost any opportunities in the packaging division in US market. It's just that most of the decisions are delayed.

Even in the US, we are expanding our team presence feet on street. We are adding more people in service. So, how I am viewing this is use this lull time to sharpen our axe so that when the markets recover, we are fully prepared to go in for a full-blown war. That is my strategy. And hence, fully supported by the board, we are making all the right investments despite the lull that we see.

Sahil Doshi: Sure. No, that really helped. If you can quantify this somehow, meaning of the last year's number versus this year, how is the US de-grown possibly in H1? And what is the ballpark number which we are thinking for the US in this year FY27? So, this will help us better understand how the domestic market is going through and what kind of headwinds or shortfall is there in the US market.

Rajashekar Venkat: Sahil, the only consolation that I can give is that the packaging division definitely will post growth this year also, irrespective of the US situation. As I mentioned, there is a lot of work

which has been put in place and that gives us confidence that packaging will deliver growth even in this fiscal. And as I said, we definitely wait to see the US coming back.

So, at this moment, I can only make that comment, but I can't divulge more on numbers. But definitely, the domestic and ROW will cover the lost ground.

Sahil Doshi: Sure, appreciate. And just a final question in terms of margins, given the inflation as well as certain setbacks which we had because of the flood, how should we think about margins? Should we go back to 15% kind of PAT margins in the near term or is that unsustainable given the change in the US packaging business as well as the inflation?

Rajashekar Venkat: It would be a forward-looking comment. We are basically focusing on ensuring that our gross margins are intact, which we have mentioned already. So, our gross margins are intact and with the top line coming in H2, we will have a much better recovery in the bottom line as well.

While our intent is definitely there, Sahil, to hit those numbers that you mentioned and that is what we are all striving for. But yes, we will definitely reach there very soon.

Sahil Doshi: Perfect. Thank you so much for this and best wishes for the rest of the year. Thank you.

Moderator: Thank you. The next question is from the line of Samarth from Janak Merchant Securities. Please go ahead.

Samarth: Sir, am I audible?

Moderator: Yes. Yes, you are audible.

Samarth: Most of my questions have been answered. So, just one question. Sir, in the converting business, we have 4%-5% global market share. So, is there any opportunity to increase this further and are we taking any efforts for that? Thank you.

Rajashekar Venkat: Yes, there is a lot of efforts and strategies. More than effort, I would rather say strategies, short, mid and long-term strategies which have been put in place to expand the converting division presence in various markets. It gives us a big advantage because we have been in this space for many years and we also have presence in approximately 90 odd countries.

So, we are trying to see what are the sweet spots available in most of these markets because we have not covered most of the customers while we have been present in this market. So, we definitely see a lot of opportunities for growth which you will get to see end of this fiscal on how the converting division is going to perform. So, that would be the first proof of pudding in terms of our strategies working in that direction.

And since we also have a great install base in converting, so we have also now started looking at revenue streams more in space of these spares and service so that we are able to strengthen the top line but also bottom line. So, a lot of work is happening. All of them are structurally put to achieve and expand the market share.

Moderator: Mr. Samarth, does that answer your question?

Samarth: Yes, that was from my side. Yes, thank you.

Moderator: Thank you. Ladies and gentlemen, that was the last question for today. I would now like to hand the conference over to Mr. Venkat for closing comments. Thank you and over to you, sir.

Rajashekar Venkat: Thanks to all of you for your conversations. I really appreciate and value and while we are doing everything possible within our capacity, as I always tell my teams, what is happening externally is not in our control. We should always focus inwards and what is in our control because that is what if you are able to get it right, then any organization will continue to steer in the tough waters that they face and which is what is the philosophy that I am educating and driving through my team and all of them are fully aligned.

We are definitely looking for some better days moving forward with a lot of operational rigor and strategic intent that we have put in place. So, I would like to thank all of you for your time and the conversation that we had today.

Moderator: Thank you, sir. Thank you, members of the management. On behalf of Mamata Machinery Limited and TIL Advisors, that concludes this conference. We thank you for joining us and you may now disconnect your lines. Thank you.