

Dated: 22/05/2025

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 20.05.2025.

This is with reference to our intimation dated 14th May 2025 regarding holding a Conference Call of the Company scheduled on Tuesday, 20th May 2025 at 4:00 PM (IST) for Audited Financial Results of the Company for the Half year and year ended 31st March 2025 and uploading the audio recording post-conference Call respectively.

In terms of provisions of Regulations 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find attached the transcript of the above conference call as Annexe-1.

This is for your information and record

Thanking you.
Yours Faithfully,
For, Macfos Limited

Name: CS DCG (ICSI) Sagar Gulhane
Company Secretary & Compliance Officer

Encl:- Transcript of post-results Conference Call



“Macfos Limited H2 & FY ‘2025 Earnings Conference Call”

May 20, 2025



MANAGEMENT: **MR. ATUL DUMBRE – CHAIRMAN AND MANAGING DIRECTOR, MACFOS LIMITED**
MR. BINOD PRASAD – WHOLE-TIME DIRECTOR AND CHIEF FINANCIAL OFFICER, MACFOS LIMITED
MR. NILESHKUMAR – WHOLE-TIME DIRECTOR, MACFOS LIMITED
MODERATOR: **MS. BHUMIKA MAHESHWARI – HEM SECURITIES**

Moderator: Ladies and gentlemen, good day, and welcome to Macfos Limited, H2 and FY '25 Earnings Conference Call.

As a reminder, all participants' 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 Ms. Bhumika Maheshwari from Hem Securities. Thank you and over to you, ma'am.

Bhumika Maheshwari: Thank you, Steve. A very good evening, ladies and gentlemen. Thank you for joining Macfos Limited's quarter and half year ended 31st March 2025, 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. Nileshkumar – Whole-Time Director of Macfos Limited.

We will now commence the call with the opening thoughts from the Management, post which we will open this forum for the 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 beliefs, opinions and expectations of the Company's Management on the date of this call. The company does not assume any obligation to update their forward-looking statements 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 hand over the call to Mr. Atul Dumbre – Chairman and Managing Director, Macfos Limited, to take it forward. Over to you, Atul sir.

Atul Dumbre: Thank you, Bhumika ji. So first of all, I would like to welcome all our dear share owners, and thanks a lot for sparing this time for this call from your busy schedules. So, we are very pleased to share our financial results for Financial Year 2024-2025, which highlighted the significant progress that we have made in key areas of our business.

During this year, we have achieved revenue of almost Rs. 258 crores, with EBITDA of almost Rs. 27 crores, and PAT margins of around Rs. 18 crores. So these results to us represent the robust growth that Robu.in has always shown. And if you convert these numbers to growth in revenue, it's 104% growth in revenue, 61% growth in our EBITDA, and. 65% growth in our

PAT. This underscores the strength of our business model and our efficiency in operational execution.

The overall year was marked by healthy demand for our product offerings. And we are optimistic that this demand will continue. As we always say, electronics is becoming a big part of life day by day, as well as the alignment of government policies for manufacturing in India, especially in the segment of electronics. These are and will remain key drivers for growth to our segment.

A notable progress this year has been the expansion of our product catalog. So, we have added over 50,000 new schemes for new products. So, I just want to highlight one thing here. Though this 50,000 as the number looks very big, but we all have to understand that these are primarily small and low cost items that we have added. Nevertheless, it's an addition to our product portfolio, a strategic one. And this has significantly enhanced the breadth of our product offerings.

We have also enhanced our marketing efforts, both in digital marketing as well as in the physical marketing. So, this year we have actively participated for the first time in a lot of domestic exhibitions. So, exhibitions in Pune, Delhi, Bangalore, Hyderabad, we have attended a few this year. So these are enhanced marketing initiatives, which we believe will broaden our brand visibility and market presence. Along with that are key business indicators website and traffic, total number of orders served, average order value, and customer retention continue to grow and show strong and positive trends.

As we look to the future, we remain guided by our strategic frameworks which are Robu 1.0 and Robu 2.0. We believe this will continue to shape our road map for 2025 and beyond. Robu 1.0, I mean, most of our regular investors know this, but for people who are new here. Robu 1.0 represents our electronic distribution business, which is a core business that we have. So, basically here we onboard a principal supplier, have a distribution agreement with them, get their products on board at a competitive price. And these products are distributed in India, that is Robu 1.0.

The focus here is delivering electronic tech products at competitive prices, backed by our robust customer support with minimum lead times. And in Robu 1.0, we are investing in our IT infrastructure enhancement as well as we are strengthening our supplier partnerships to optimize the procurement as well as reducing lead times. The expansion of our SKUs this year reflects our ongoing efforts to build comprehensive and reliable store in the electronics domain in India.

Now, let's talk about Robu 2.0. Robu 2.0 is basically a strategic shift or a long term strategic shift for developing and scaling our own proprietary brands and our own proprietary products. So, almost over past two years we are putting in increasing focus for Robu 2.0. And we have doubled down our efforts for research and development in 2024-2025. Robu 2.0 is an initiative which is central to our long-term vision and positions Macfos for sustainable growth for over next five to 10 years.

In the past year alone we have successfully launched around 186 new products under our in-house development program for Robu 2.0. So these products are basically from two main categories, one is development boots and modules, and other is drone parts. So, key additions in these new SKUs are agricultural drone frame, ready-to-fly drone kits, some telemetry modules, some TFT and HMI displays, so on so forth.

Also, we have our own brand, which is Orange, under which we have launched 650-odd products this year. And all these products have been well received by our customers, which reaffirms our quality and innovation as well as our belief that Robu 2.0 is going to be a strong pillar for us over next five to 10 years.

Again, I would like to thank you guys for your trust and support. As I always say, we always consider our investors or share owners as one of our partners. And we believe that you guys are also a key pillar for us. I assure you that we will always be working for bright and innovative future for Robu.in.

That's it from the management side, guys. I will be taking any questions or doubts you have and trying to answer them to the best of my abilities. Thanks again.

Moderator:

Thank you, sir. We will now begin the question-and-answer session. The first question is from the line of Parikshit Kabra from PKD Advisors. Please go ahead.

Parikshit Kabra:

Hi. Thank you for the opportunity. And congratulations on a good set of numbers. My question actually is quite a fundamental and basic question because I have been struggling to intuitively understand why a large-scale enterprise customer who may be purchasing these products in bulk would come to Robu and come to Macfos for its procurement requirements rather than doing it directly? Would it be fair in my understanding that the tail end equipments that they might have, the arbitrary equipment that they might need, components that they might need is when they come to Macfos? And besides that they do direct procurement?

Atul Dumbre:

First of all, Parikshit ji, thanks a lot for your question. And it's actually a very good fundamental question, as you already said. So if you look at Robu's journey, I would say, in 2014 we started as totally a online store. We did not have any corporate customer per say, we were totally focusing on online sales or retail sales, B2C sales, whatever you would like to call it almost for first four or five years of our journey. And through the journey we realized that there is a lot of industrial customers who need the support as well as our products. And then we formed a corporate sales team around 2019 and started to sell to corporate customers. So, just to give you a perspective, our corporate sales around 2019-'20 times where odd 5% of total sales.

Five years from that moment, today our corporate sales are almost 50%, half of our business. We have strong corporate support or corporate sales team, key account managers to support corporate customers. And I believe we have learned to make, to sell our products to, let's say, small and medium-scale corporate customers. Part of that journey I believe that would be to gain

these corporate customers coming, as you said, under the large-scale corporate customers in coming times for us. As of today, we are not doing a lot of large-scale customers.

Again, part of your question was that why would a large-scale customer would buy from us. So basically when you go into electronic distribution model, generally, a large-scale customer have, even the small- or large-scale customers have to buy from the authorized channel partners because the principle or the company who owns the product, they really do not want to get into the local distribution country-wise. Their key strength is designing and developing these new products and bringing them to the market to solve customer issues. Yes, whenever there are higher volumes, there are generally triparty meetings, the one with principal who owns the product, the distributor who is Macfos, and then the customers. And of course, there are ABCD things.

But, generally, in electronic distribution, even a large scale customer would want to go with the local distributor because it is mandated by principal most of the times. And secondly, they need N number of support, if the product is not working they need some support locally, who would support them, if they require small quantities because their production has increased a little bit more at the last moment, or their product is not proving to the exact specifications where they want it to be. So, all those kind of small things are taken care by local distribution. Or the credit terms, how would the manufacturer or supplier, let's say, sitting in Europe will give credit terms, and if the payment is not served by that customer, how would they go about it. So for all these practical reasons, generally, the thumb rule is they go with distribution partners.

Parikshit Kabra: Got it. So would it then be fair to think of Macfos as the master distributor for many of these components in India? And do we have exclusive distribution for many of these things?

Atul Dumbre: We have distribution for many of these things. We are authorized distributor for over 250 brands. However, we are not exclusive distributor for most of them. We are exclusive for our few brands; however, we are not exclusive for most of the brands that we have.

Parikshit Kabra: Okay. So then there must be other authorized channel partners in India, just like us, what is our right to win, the sheer size and breadth versus our competition?

Atul Dumbre: So for any business this is true, for any business it always wants to win a lot of market share. However, once you are doing a significant business for any brand, you get certain advantages. Once you have a good product portfolio, so customer prefers to get a lot of products from one distributor. Secondly, the pricing that you get and the support that you get from the brand also depends on how much volume or how much of the total revenue you are moving. So once you are of a certain size or moving a certain business for the partner, then you almost have that edge over even with a few distributors in the country.

Parikshit Kabra: Perfect. Let me just ask you one last question before I get back in the queue. How would you describe our market share in this industry? And who are the key competitors in India?

- Atul Dumbre:** So as we always say, in India we do not see a single competitor, because we are doing multiple segments, around 70,000 SKUs as of today. So we have the most comprehensive portfolio. Internationally, we always say that there are these three or four big players who are Arrow, DigiKey, Farnell, Mouser. So internationally, we believe that these are more of similar business models. Of course, we have stocking in India, so we have leverage in that. But yes, locally there are people who are having a few thousand SKUs in one segment, few thousand SKUs in different segments, but nobody has a comprehensive store or comprehensive portfolio like Robu.
- Parikshit Kabra:** Sure. Then nobody's of the same size, but if you look at the entirety of the industry, of all the equipments that you are providing, what would be the market share in India for you, do you have a sense?
- Atul Dumbre:** This question, market share, we have also tried to calculate a lot of times. However, because the market is you can say fragmented or there are a lot of things, there are a lot of components in the market, so we really do not have a number to put on here that how much is the total market size and how much of that is we are doing as a business.
- Parikshit Kabra:** Got it. Thank you so much for your time. I will get back in the queue.
- Atul Dumbre:** Yes. Thank you, Parikshit ji.
- Moderator:** The next question is from the line of Balaji Vaidya from Napa AMC. Please go ahead.
- Balaji Vaidya:** Atul, Binod and Nilesh, many congrats on great set of numbers. Just a couple of questions, one, we have seen broad basing of your SKUs to almost 70,000 now. What I am trying to understand is, considering that you have given more business to your vendors, I was expecting that the days payable number to actually be higher than last year, meaning that you would have kind of bargained for better payable days. But I have seen that in FY '25 your payable days have actually come down, so any thoughts on that? That was point number one.
- Point number two, this SKU addition, I mean, of course, this was always a planned strategy, but does the 90-day trade barrier also have some kind of an impact on this particular decision of yours to broad base the number of SKUs? Thank you.
- Atul Dumbre:** Balaji ji, I did not get your second part of this question about SKUs, could you please repeat that?
- Balaji Vaidya:** So if you look at the days payable, the amount of time that you would take to pay to your vendor, that has actually dropped compared to last year. So, I was actually expecting that the day's payable number would actually go higher, considering that you have given more business and you are broad basing your SKUs.
- Atul Dumbre:** Yes. And the second question was?

Balaji Vaidya: Second question was, how much of the current geopolitical situation, the trade barriers that has played a part in trying to broad base your SKUs in the last quarter of this year financial year?

Atul Dumbre: Okay, so I will answer the second part first that how much of a geopolitical situation has played a role in broadening our number of SKUs. So, I do not think it has played any part, I mean, active part. Yes, of course there is a geopolitical situation, I mean, every time something is going all around which is going to impact a lot of businesses in India, so there is no exception. However, this broadening of SKU, we really have not thought much that way. Our thinking process is simple, we look at for certain target for revenue, short term and long term, that we want to do. And for doing that revenue or growing the business, we always see which categories we want to target, not the number of SKUs to be added, but the categories. We see what is the best that we can do with our existing categories, and then if we need to or want to add any extra categories in our portfolio.

And then once we zero down on the particular category, then we see what kind of products we should target for the category to have a certain revenue in coming one to five years, whatever. So the decision is totally based on that. So there are some categories where the product's one single SKU selling at Rs. 1 lakh, maybe Rs. 60,000 apiece. So there may be we would just add two or five products, and even if we sell like 20, 30 a month, the revenue will grow by Rs. 20 lakhs, Rs. 30 lakhs, let's say, roughly. For some categories, if the product is selling only at let's say Rs. 400, Rs. 500, then we will multiply it by number of products that we can sell, and accordingly we will see if we need to add 10 SKUs for that category or maybe 1,000 SKUs. It's totally based on the type of category and type of product and pricing. So that is how we think.

So, generally, we do not have this geopolitical order situation considered while doing this, new products are new SKUs to be added. And that's why in my management perspective I said that I want to highlight that though the numbers look good, these are primarily small and low cost products, because this is the strategic decision.

Secondly, you mentioned about both payable days. I think Binod is the best person to answer that.

Binod Prasad: Hi, Balaji, this is Binod. So trade payables for March '24 was around total Rs. 8 crores and in March '25 it's around Rs. 10 crores, so it has gone up by Rs. 2 crores, and overall less than you can say six months.

Balaji Vaidya: So I was actually looking at it from number of days, I mean, it's actually come down to 18 days from 30 odd days. So that was my broad question, but that's fine.

Atul Dumbre: Atul here, Balaji. So I will tell you. So generally we always want to have the credit from our suppliers, which is whatever based on 30 days, 45 days, 60 days, whatever. In our case, more often than not, we are importing these products internationally. And it is hard to get that credit terms going with principles because they are international, though we try our best. So when our

business goes on increasing, like the amount of these days should increase, if I am doing Rs. 10 lakhs with 30 days credit, generally I am doing let's say Rs. 60 lakhs worth of credit next year, because my business is growing and I need higher credit terms.

But number of days generally are the same, they are not increasing or decreasing. I think it is more situational. I mean, this is as on 31st March. So, to answer your question, the days are not changing that much. But it is more situational that whether we have bought it on 1st of March or 10th of March, one big shipment coming here and there or a lot of shipments coming 10, 20 days here and there will make that difference. Have I answered your question, Balaji?

Balaji Vaidya:

Yes, sir. Thank you. I have one question on Robu 2.0. Of course, you have mentioned the successful launch of 186 SKUs, and of course it's understandable that it's too early to talk about revenue numbers etc., but would you have any ballpark SKU target? Like for example you have 70,000 SKUs out of which 186 SKUs are Robu 2.0, which is at this point in time are rounding of error 0.25%. So would you have like a SKU target in mind saying that, okay, over the next two years 10% of my total SKU must be Robu 2.0 or some such number like that?

Atul Dumbre:

Yes. So Balaji ji, we do not have a SKU number target as I said. So all our targets or the general thinking process is revenue based. So we have rough targets in our mind that, okay, we want to do these, these revenues in longer term with Robu 2.0, which categories are the best category to target? And then we want to target a certain product in a certain category. So it depends if like if a Rs. 1 lakhs selling price product is doing well in Robu 2.0, I will be more than happy to just make four or five more SKUs and generate a good revenue out of it. And if let's say Rs. 5,000 selling price worth of product is doing good in Robu 2.0, and again there is a market scope for making 50 of those SKUs because there is a market demand, then we will be making more of those.

So, our thought process is more revenue driven rather than the number of SKUs driven, even in Robu 2.0. So right now our key metrics for Robu 2.0 is making the products, launching them in the market and get the first response from the market that whether the products are selling, is the quality up to the mark, are the functionalities of the product up to the mark, what are other customer expectations, and then slowly and gradually will move to what revenue those category and products are driving, and then double down on the categories that are doing well for us or products that are doing well for us. So that is the thinking process.

Currently I think last year was the first year where we have launched N number of products aggressively. And we are happy with the initial response, products are selling and people are happy with the quality that is the first feedback. So we will continue working towards growing this.

Balaji Vaidya:

Great. Congrats and wish you all the best.

Atul Dumbre:

Yes. Thank you.

- Moderator:** Thank you. The next question is from the line of Swaraj Mehta from Perpetual Capital Advisors. Please go ahead.
- Swaraj Mehta:** Hello. Thank you for the opportunity and congratulations on a great set of numbers. I just wanted to understand the gross margins have declined significantly this year, and so could you elaborate on the key factors that are driving this drop? And do you see this as a structural shift? Or is it temporary? And how do you anticipate gross margins evolving in the coming quarters? Thank you.
- Atul Dumbre:** Okay. So, the gross margin for us is a mix of our corporate business as well as our retail business. And as a company or as a team we always like to focus more on our net margins or PAT levels, because we have our expenses under our control. And as long as that is happening, we are very sure what PAT margins we are making. Since the gross margins is a mix of N number of factors, this year specifically we have, as we have told in our H1 commentary, we have a lot of big orders, or I will say a few big orders coming in H1, which we do not foresee in future as of today. And if you see our gross margins in H1, they were around 17%, so they have dropped because of those big orders. If you see in H2, we have again maintained our regular 23%, 24% gross margin levels, which we generally are happy with. And I think in the long run we do not see any, I mean, as of today we do not see any significant change in the gross margin. So whatever we have maintained in H2, we are confident that we will continue on the same path, because one exception in H1 because of the big orders that we have done.
- Swaraj Mehta:** Okay. And other expenses, if you could give the breakup of what are the key components that are driving this rise, one you mentioned marketing and other specific cost that have risen or any one time cost in other expenses?
- Atul Dumbre:** No, I mean, nothing comes to my mind that there is any other expenses that we have written. As I said, like if the gross margins in the H1 were low because we have these big orders coming, so of course once you have higher volume orders you have to do it then only at a certain margin. I mean, after that there is nothing that comes to mind for the increase in expenses, which is abnormal, I mean, other than our regular expenses or the regular percentages that we target for.
- Swaraj Mehta:** I am sorry, I could not get the last word, can you repeat what you said?
- Atul Dumbre:** Yes, there is no abnormal increase in other expenses other than what the regular percentage that we target for our big one, two, three expenses.
- Swaraj Mehta:** Okay. Okay, thank you.
- Moderator:** The next question is from the line of Kiran from Table Three Capital. Please go ahead.
- Kiran:** Hi, thank you so much for taking my question. A couple of questions. First question being, we have achieved about Rs. 250 crores of revenue, if I ignore the one-time or two-time big orders

in H1, so minus that, so Rs. 250 crores minus whatever it is, right, Rs. 60 crores, Rs. 80 crores, Rs. 90 crores, whatever.

Atul Dumbre: Should be around Rs. 190 crores.

Kiran: Okay, great. So Rs. 190 crores is the revenue. So of this Rs. 190 crores, can you tell us for B2C and B2B, how have the average order values increased year-over-year? I am not looking for exact numbers, right, because you do not give a split, but I am just trying to see if average order value is increasing? Number of orders per customer is increasing? Because you are adding a lot more customers, both on the B2C and B2B perspective, so is it the number of orders that's increasing or is it the average order value that's increasing year-on-year?

Atul Dumbre: Yes. So if you look at the presentation, particularly for this year, our average order value has increased. I mean, as we are not giving the split numbers, so I am just giving you the total all businesses number. So, the average order value is around Rs. 4,600 which was around Rs. 4,000 last year, okay. And like before a year ago, like before a year to that it was Rs. 4,900. So, as a business, we always like to or want to increase our average order value. However, the focus of doing business or the top of the head thing that we have, we never looked at it that way, whether I just want to increase my average order value from Rs. 4,600 to let's say Rs. 5,000, and then what are the things that I want to do for that. No, that is not how we principally think.

The principal thinking is always from the top line of the business, okay, we have done, let's say Rs. 234 crores whatever revenue we have done this year, and then we want to increase it to a certain number. For that we will split the categories, and we will see which categories doing what business, and then which category has the potential to increase, and then what are the things to be done, so on and so forth. So if a category, let's say, we have added these small components, so the average order value of these small components will be obviously small, right. However, I really do not go into that as a matrix. My matrix is always my top line and the profitability.

And then for that, if I have to increase the average order value or increase the number of orders, because anyways revenue will be multiplication of those two, I really do not keep either of these as a focus. I generally keep the category and growth of the individual category as a focus. So yes, it has increased in last year, however, the management or the thinking process being like this, the focus will be always increasing the top line with certain margin. Have I answered your question, Kiran?

Kiran: Yes, perfect. That that was absolutely superb, thanks for that. The second is, I mean, this is more a financial question, your inventory suddenly increased to Rs. 55 crores, Rs. 56 crores from Rs. 24 crores, is that a result of building up these 73,000, I mean, these are all low cost, so I am just trying to see whether you are anticipating a lot of growth in the first half of the year and therefore the inventory has built up so high or is it a function of something else.

- Atul Dumbre:** So, the inventory is function of multiple things, one of which you rightly pointed out that are number of products that we have to keep in stock if the products increase. So yes, that number of SKU increase certainly have a role to play in inventory increase. However, let's say, Rs. 5 crores to Rs. 10 crores inventory is also roll off or rather a function of timing. So just to explain you the situation, sometimes if we know that our stocks are on their highest peak, so that time our inventory will be 10% to 20% higher. But it is just maybe momentary, let's say if you calculate in middle of March it will be higher, and if you go to middle of April it will go down a bit. Because if you look at our revenue, we are also consuming a lot of inventory and then maybe some three, four big parcels are delayed, they have not arrived on time, so I think these two combined is showing that rise in the inventory. However, our regular numbers for inventory rotation days and inventory aging that how old is our inventory, those numbers are in line. So, I assure you there is nothing to be concerned about the inventory. It's mix of two things, yes, we have increased number of SKUs and then that contributes in inventory increase. Secondly, it's just situational that 10%, 20% of that thing.
- Binod Prasad:** Got it, got it. Perfect Atul. Thank you so much. I will join back the queue.
- Moderator:** Thank you. The next question is from the line of Abhijit Mitra from Aonis Alpha Investment. Please go ahead.
- Abhijit Mitra:** Yes. Thanks for taking my question. So in absence of this one-time orders or large orders, I think you mentioned the sales number also, so just to maintain the sales number, it means 39%, 40% growth. So I am just curious what kind of growth projections or thoughts you have in FY '26 or '25?
- Atul Dumbre:** Yes. So Abhijit ji, generally we do not give any forecast in the number per se. However, what you have said is I will say right. But the way we work right now is, because we knew from day one that these are one-time orders and may or may not repeat, so from day one how we have kept even internal targets and everything that we always exclude those one-time orders from the revenue that we are doing as well as our growth target that we are taking. And we will keep on doing the same because that is the practical way of doing things. If we just add those one-time orders and then think on top of that how much we want to grow and everything, it becomes really unrealistic. So what we have been saying is something that we are confident that we will do, that we will continue on the growth path that we have been doing historically. You have to exclude the one-time big orders when we promote places because that is the most practical thing to do.
- Abhijit Mitra:** Understood. And then there will be some improvement of margins because it's a margin dilutive order, so you expect the net profit margin to reach around 8.5% 9% again, as this normal course of business resumes?
- Atul Dumbre:** In margins there are two things, one is this big orders coming in or not coming in, and then also it is dependent on the product mix that we are selling in a particular year or a particular quarter, whatever. However, I would also not like to comment on those whatever percentage of margin

we are targeting. So what we are doing, historically, I think this time PAT level if you see around 7%. But yes, we are always trying to improve it or at least maintain that.

Abhijit Mitra: Okay, got it. And lastly, I think you mentioned that the inventory addition has been mostly in terms of small ticket items, it's small and low cost item. So this AOV will reflect accordingly in the first half or first nine months, I mean, will the AOV sort of come off because of this? Is there a shift in sort of product mix that you are trying to suggest when you say that this addition is mainly because of small and low-cost items?

Atul Dumbre: So, I mean, correct me if I am wrong. So what you are asking is, average order value will it increase because of this low-cost item, or will it increase?

Abhijit Mitra: Decrease, will it decrease, yes, yes.

Atul Dumbre: It's hard to predict because what may happen is, our regular customers will also buy these low cost items in the regular orders, so that value should increase because they are already buying 10 products from me, let's say average order value at this point is Rs. 4,600. Even if I add Rs. 500 worth of these products, so my average order value should go up. Again, I will have some customers who are only buying these new products, so maybe the order they are placing is only Rs. 1,000 or Rs. 2,000 which is let's say for the time being Rs. 1,500 average order value for the customer who is only buying this new product. So, it is really hard to predict what will prevail when you calculate the total average order value, because we already have a big customer base which are buying these existing products with Rs. 4,600 average order value. So both are the possibilities. We will really come to know when it happens.

Yes, however, we are confident that any of this happened ultimately we are going to generate higher revenue, I mean, that is what the whole point is of adding these SKUs. And that is how we think that, okay, whether our old customer buys Rs. 500 worth or whether a new customer comes and buys Rs. 500 worth of this product, does not really matter, as long as I am gaining that Rs. 500 in revenue. And that is how we think that the category and the revenue and then multiply by number of whatever orders or total category-wise revenue and add this dependency if it is viable to add that category.

Abhijit Mitra: Understood. And your inventory days, you do not feel it is going to go up permanently, right? I mean, it will sort of come off again next year you feel. This year this sudden jump of inventory days that is going to normalize sort of again next year? Or it is high in terms of days that you see from here on?

Atul Dumbre: So primarily because we have added these products, we expect our inventory days to go slightly up. However, you have to understand, this is a different category of products, and these products have other margins. So they allow us to have higher inventory days because the slightly higher margins take care of these inventory days. So, actually we do not consider inventory days as a standalone metrics. But we knew that when we are adding this 50,000 whatever SKU we have

added, 50,000, we cannot look closely, very closely to each of the products, cannot pay attention to each of the products. We have to buy them in kind of bulk. So there will be more inefficiencies in inventory.

However, the margins on this product are such way that even those little bit inefficiencies in inventories, even little bit generation of debt stocks are taken care in the margins. So, we are okay with that, so it's kind of a trade-off that we are doing. Now, how much it will add to our inventory days and everything that we are not sure at this moment. However, whenever we calculate our inventory rotation, it is always category wise. So we will have a clear picture internally that, okay, for these particular products how we are doing and what are the margins, and if it is good or not? For others, it should continue the same way, we have historical data. So accordingly, we will tweak and move and readjust align our path.

Abhijit Mitra: Yes. That's all from my side. Thanks for the answer. That's all from my side. Wish you all the best.

Atul Dumbre: Thank you, Abhijit ji.

Moderator: The next question is from the line of Rohit, an individual investor. Please go ahead.

Rohit: Thank you for the opportunity. It's always a pleasure to listen to you speak and understand the business model. My first question, so what we are seeing is the growth has been rapid, and the return on capital and net worth has come down. And I mean, over time if the growth of our business is faster or is higher than the returns that we generate on the capital that we are investing, what that means is we would need further dilution along the way. So I think we diluted one and a half, two years back, do you see, I mean, for us to maintain our growth rate us requiring to dilute sometime next year or the year after that? And the follow-on question is, I mean, three of you together own equal amount of stake, so what is the cumulative promoter stake below which you are not comfortable going or do you think along those lines at all?

Atul Dumbre: Thank you, Rohit ji. Thanks a lot for your questions. So as you mentioned, growth has been rapid. And according to that, the dynamics of the business are changing. So, we are also very clear on this, we have been doing since only over a decade. I guess, every year we are growing and then we face some new challenges, we find some new solutions. So things are really clear in hindsight. However, looking in the future, the picture is always a little bit fuzzy. We know the direction, however, we always keep on course correcting as we go in future whatever is the best for the business, to the best of our abilities.

Now, as of today, we really do not have any plans for dilution, of course, even if we had it would be really stupid to say it loud on this call. But yes, to be very frank, we do not have it as on today. And whether we will have it in recent future or not, that only the business requirement or the dynamics will decide.

Secondly, three of us currently have equal stake, which is around roughly 69%. So yes, we also have never discussed this that how much is the minimum and below which we are comfortable or not comfortable. We just diluted whenever we felt that there was a business requirement and then we are here at 69. So yes, there is no such number or there never was the discussion to be very frank, that below what we will be comfortable, we will not be so comfortable or whatever.

Rohit: Thank you. That was helpful. So, I mean, we have started taking bets, right, I mean, we have today at the end of the year at least it's again a point in time depending on when we recover the inventory. But the data set, the highest-level debt we have had so far, obviously because the business is growing. So do we have an internal metric on what is the maximum debt at any point of time that we will take in terms of its ratio to equity, or any such number that we look that keep beyond this we won't take any debt?

Atul Dumbre: Further debt you are saying?

Rohit: For the loans, yes, debt on the balance sheet.

Atul Dumbre: Yes, further debts you are saying, yes. So we really do not have any highest number of debt. So our thinking is very simple, as I always say, we want to grow this much, to grow this much with this much margin. To do that, what categories demands what? Whether we have money to do that, to buy inventory or whatever investment we want to do? If you do not have money, then what are the debt options we have? So if we say take whatever Rs. 5 crores as a extra debt, then what we have? What are the returns that we have to give on that? And is the category that we want to expand will provide us more than what investment in debt and returns it will have? If it is a yes, we will go ahead. If it is not, then I think we shouldn't do that. So this is a top-down process, so if category requires a certain amount and we are confident that we can earn more than what is going as a interest of the debt, then why not.

We only take that when we are sure of that return. I think that is the thinking behind that. And to be very frank, I think you guys, the investors, are really good at these financials and numbers crunching everything. We on the other hand are more of driving right support of top line and growth and categories more of a business person or technical approach. Me personally, if I go look into these ratios and this and that, it becomes really too much to look at. And as a management we just try to keep it simple, this much we want to increase, this much should be the growth, this much should be the margin, for that the category requires this much amount of money, after considering the returns if we are left with some margins then its good. If there isn't margin left then let's stop it there itself, why should we go and take a loan for it. So I think that helps us or the way we have been doing this, and it works well for us so far. So, yes, that's about that.

Rohit: Thank you. So two questions, last, what is the ad? I mean, the publicity spend that you did this year, do you have an idea of what's the number there? And the second question I have is, I mean, in the sense of see, you have moved from B2C to B2B in 2019, I guess, the next part of the

journey would be to probably supply the bulk requirement of the customer as and when required. So where are we on that journey? I mean, I think right now we provide for the R&D department, and the bulk requirements are provided by some of these big traders or big distributors. So, do you see us reaching that level in some categories?

Atul Dumbre:

Okay, I will answer your first question first. The marketing state, generally our target is to maintain it below 2.5% of the overall revenue, the online revenue that is the internal number. I am not sure exactly how much we are doing that or doing as of now, but yes it is under that which is below that. I think mainly the question arises because we did participate in domestic exhibitions this year multiple of those, however, we are always like whatever marketing activity we do, we always have the limit for that expense. So anything we do, you have to maintain it below that. And I think this year we have got this budget for that because we have grown revenue well, and that has allowed us to have that extra percentage in budget which we can use on these domestic exhibitions.

Secondly, you asked about growing from B2C to B2B and where do we foresee that going up. So yes, we have grown from B2C to B2B, and as on today we are doing a lot of, not only the R&D orders, but also small to medium scale companies' production orders. We are doing some, I would say, production or big orders for some of the big companies, and obviously we would love to go there and increase that. However, I mean, how long, how far we are not really doubling down on that as a target per say, because there are different dynamics that come into play for those orders. And even small and medium scale companies' base is growing very rapidly in India. And that customer base, we were already fulfilling their requirement, they are happy with the service and the products and the prices that we give. So, of course, we will try to go into those high volume productions, but when and how or how much that happens is currently that I really cannot foresee.

Rohit:

Perfect. Awesome. This is very helpful. Thank you so much for your time. And I will get back to the queue.

Atul Dumbre:

Yes. Thank you, Rohit ji.

Moderator:

The next question is from the line of Shubham, an individual investor. Please go ahead.

Shubham:

Hey, so I had the same question on the line of like when you will be moving from R&D to this bulk order, so I think that has been answered. Because I have been a customer for your products and most of your sales are in the category of development goals that is Arduino, Raspberry Pi, and second is probably 3D printers. So those are like one-time or like low volume orders which are not probably repeated after R&D cycle is completed. So like will you be getting into bulk orders like Mouser or DigiKey if you have to compare yourself with them?

Atul Dumbre:

Yes. As I already said, Shubham, that is always on the table that we want to have these big customers, we want to grow these orders. However, I would just like to slightly add on to this.

So, the way you mentioned Arduino and Raspberry Pi, there are some customers who buy, let's say, 1,000 Raspberry Pi or 1,000 pieces Arduino per month from us. So the dynamics of markets are also changing. A lot of customers, even though they have 500,000 pieces worth of product requirement, they do not want to go into the cycle of developing their own boards and everything. So they are using these boards also as their, I will say, small and medium-scale volume production.

Only when they move something like 5,000, 10,000 pieces a month, then they are moving to developing, designing their own boards to save some cost and moving in that direction. So yes, we would like to be serving those customers as well. And strategically, I cannot tell you on this call exactly what we are doing. But yes, we assured strategically we are doing things internally which will position us well to serve these orders, to serve these customers, to support these customers.

Shubham: Yes, yes, got it. And just a small question, like how big is the opportunity for Atal Innovation Mission for you guys? Is there anything that you guys supply L1, L2, L3, any checks?

Atul Dumbre: So we have been supplying these Atal Innovation kits to the different customers. Since these are standard kits, I think we have already listed them as a single product, whole kit as a single product are available on our website. So yes, we have been supplying those kits directly to some end consumers, as well as through some of the project guys who have been buying these kits and then doing the execution on their own.

Shubham: Okay, okay, that answers my question. Thank you for your time.

Atul Dumbre: Thank you, Shubham.

Moderator: Thank you. The next question is a follow-up question, it's from the line of Parikshit Kabra from PKD advisors. Please go ahead.

Parikshit Kabra: Hi, thank you for the follow-up. Actually, people have spoken about margins in this call previously, and you have maintained that you guys are targeting the current margins at the steady state, at the current levels you want to maintain that. But there is a pattern, there's a trend to your margins for the last few years, and I am talking about EBITDA margins, you peaked at about 16% in FY '22 and since then like clockwork is reducing by a couple of percentage points each year. Could you elaborate on why that is happening and why we think that will stop happening from next year onwards?

Atul Dumbre: Okay, right now I do not have the numbers in front of me or the exact data. However, if I talk about our PAT margins as on today, even with the current margins we are always trying to maintain, in future we want to maintain those margins. And this is not a secret, I mean, it's very obvious that when we are going for the bigger market or more of industrial customers, we would have to sacrifice some margin or the margin goes on reducing. Of course, everybody knows as

this is not the secret, the second thing is also not the secret that okay it will go down only up to a certain level, because after that the margins should stabilize, let's say, give or take 0.5% or 1% here and there. Because beyond that then the business also becomes not lucrative to do on those markets.

So on one side, we are always trying B2B customers or the high-volume customers or the higher market size. On the second side, this also reduces margins slightly and then we believe that it will stabilize at some level. Now, we are always trying to maintain our margins or do our little tricks here, little tricks there to increase, add on the margins 0.5% there, 1% there. I mean, if you listen to me closely in the call, whenever I am talking about those high low value 50,000 SKUs, you will always hear me saying that the margins are good on those products. So it is also one of the effort to target a category where we have higher margins so that we can gain something which we are gaining margin somewhere where we are losing 0.5%, 1% somewhere else. So these kind of things are always going on, and let's see how it goes.

Parikshit Kabra: Alright, perfect. Thank you so much.

Atul Dumbre: Yes. Thank you.

Moderator: The next question is from the line of Keyur from Niveshay. Please go ahead.

Keyur: Hello, sir. Congratulations on the numbers. I have just two questions on your side, one, client list on the website, we have mentioned many government associations or organization and corporations. So, are these any order on repetitive nature from their side?

Atul Dumbre: I heard your question till the point where you said there are a lot of governments clients mentioned on our website.

Keyur: So my question is, in our B2B segment we have many formalization from the government side and many national level institutions which were our clients, so are these orders from their sides is repetitive in nature?

Atul Dumbre: Yes. So we have essentially two types of businesses, one is our online business, another is corporate sales. So, generally our corporate sales orders are repetitive in nature, it depends on customer requirements. So, even if it is a company like let's say Tata, Mahindra or Bajaj and if they just want to set up a test lab or the R&D lab in their company, they are ordering few components, few multimeters or devices from us, it will be one-time purchase. But even if they are making us some device which is like 400 piece, 500 pieces a month or 400, 500 pieces every quarter, it will be repetitive in nature. So our B2B orders are generally repetitive in terms of if they are production based orders. If they are lab based or R&D based orders, small prototyping, then we have seen that they are repetitive from the type of customer but different products.

Keyur: Okay. And my second question is, you mentioned that we have increased the SKU on Robu 2.0. So as we are entering the production of our own products, do we see any vendor issue, because we are catering the same problem that maybe they are also doing. So did you face any vendor leaving our site in last for nine months?

Atul Dumbre: Okay, I will answer the question straight first. We have not seen any vendor leaving the site because generally these vendors, like the market is open, like in one category we have 8, 10 vendors maybe doing the similar kind of products. Everyone has his own strength and everyone has his own, some are like premium quality products, some are like very cheap, some are in the middle somewhere, they provide value to different kind of customers. So, our vendors or the agreements are non-restrictive on these kind of products, generally. Secondly, as a part of our strategic part of Robu 2.0, we are never trying to replace a product on our website, that will be too much effort for too little of a gain. So, we always see the categories that we believe will do good in retail.

And secondly, we want to fill the market gaps. So I always give example of SmartElex modules where we have seen that there are some principles in China manufacturing the modules who are very cheap, but the quality is not that good or rather very bad quality. And there are some principals, Europeans, who are making those modules in development groups who are really pricey. The quality is good, the price is really high. So we found a gap where we felt that, okay, we can make the modules in India and we can provide a one-year warranty, the quality should be good. But the price we can keep right in the middle where there is a customer base who would like to procure these products and will be happy with the performance, because we want to use them in industrial use cases at a reasonable price, they do not really want to pay the European premium.

And we have been developing this product and we have been finding some good customers base in this gap that we have founded. So, thinking is more like that. Find the gap and try to place the product in that gap rather than just replacing the product, because ultimately what will we gain then, if I am just replacing my old revenue by my own product, the delta of revenue will be nothing or not significant.

Keyur: Okay. And I think in the future also we will have this same strategy, right?

Atul Dumbre: Yes, we want to follow the same strategy in future because that's the most logical thing to do.

Keyur: Okay. Thank you and all the best for the future.

Atul Dumbre: Yes. Thank you, Keyur.

Keyur: Thank you.

Moderator: Ladies and gentlemen, that was the last question for today's conference call. I would now like to hand the conference over to Ms. Bhumika Maheshwari for the closing comments.

Bhumika Maheshwari: Thank you, Steve. On behalf of Hem Securities Limited, I will thank Macfos team for giving time we spent on this call, and responding to 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 Steve for closing remarks.

Moderator: Thank you. On behalf of Macfos Limited and Hem Securities, that concludes this conference. Thank you for joining us. And you may now disconnect your lines. Thank you.