



ENVIROTECH SYSTEMS LIMITED

(Formerly **Envirotech Systems Pvt. Ltd.**)

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To,
The Listing Compliance Department
National Stock Exchange of India Limited,
Exchange Plaza, Plot no. C/I, G Block,
Bandra-Kurla Complex, Bandra (E) Mumbai - 400051.

Date:08/11/2024

Script Code: ENVIRO

Sub: Submission of transcript of earnings conference call pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

Dear Sir/Madam,

We wish to inform you that the Company had conducted an Analyst Meet with Investors/Analysts on November 5, 2024, with respect to the financial results of the Company for the half yearly ended September 30, 2024

The transcript of the aforesaid Analyst Meet with Investors/Analysts is available on the Company's website and can be accessed on the following link:

<https://www.envirotechltd.com/assets/images/investor/results/Transcript-for-H1-FY-25-Earnings-Conference-Call.pdf>

The Transcript is also attached along with this intimation letter.

Kindly take the above information on record and disseminate.

Thank you.

Yours sincerely,

Thanking you.
For Envirotech Systems Limited

Pallvi Sharma
Company Secretary & Compliance Officer
Membership No: A51237
Date: 08/11/2024
Place: Noida



“Envirotech Systems Limited
H1 FY '25 Earnings Conference Call”

November 05, 2024

**MANAGEMENT: MR. MANOJ KUMAR GUPTA – MANAGING DIRECTOR –
ENVIROTECH SYSTEMS LIMITED
MR. ARUN KUMAR – INTERNAL AUDITOR – ENVIROTECH
SYSTEMS LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to Envirotech Systems Limited H1 FY '25 earnings conference call. 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 the star then zero on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Manoj Kumar Gupta, Managing Director, Envirotech Systems Limited. Thank you and over to you, sir.

Manoj Gupta: Hello everyone. Thanks for joining the call. My name is M. K. Gupta on behalf of Envirotech Systems Limited. I welcome all the new and valued stakeholders in this call. I am truly delighted to host our first conference call following our highly recognized IPO. This marks the beginning of an existing new journey and once again, I welcome you all.

Yesterday, we announced our half-yearly results for the financial year 2024-25. Before we go in detail, I would like to point out that please don't judge this as our final result because of it's only a half-yearly result. Next of the world business is completed at the year closing, so there are good things to be done.

Let me give an overview of what we are and what we are doing. We at Envirotech Systems Limited are into the manufacturing of various acoustic and noise control products. It's a very new field of engineering and I am proud to say that we at Envirotech are the only listed company in this segment. I will give you a brief about the acoustics and noise. We are protecting the society with the noise pollution.

There are a variety of noises and sound sources available which all of us are facing day-to-day. So, different noises and acoustic we are surrounded with. For a simple example, I would like to say that there are so many noise equipments and machine wheels which are operating in any manufacturing unit for day and night time.

For any workers or the team members in that plant who are working with 8-10 hours in that plant, they need to be protected with the noise isolation. Otherwise, there is a huge effect on the health with the noise. So, we provide the acoustic enclosures for various highly noisy equipments.

We make the acoustic enclosures for turbines, compressors, centrifugal blowers, and several other noisy machines. If you have gone through our presentation, you will find very interesting things with that. So not only the acoustic enclosure for the noisy machines we are making, we are also producing the sound test chamber.

For any rotating equipment and machine wheel, that may be a home appliance, automobile, electric motor, or even the electric vehicle, gas turbines and all. That all has to be tested with the noise performance. For example, if I can say the air conditioning in your room has to be tested with a specific noise performance so that when we are sitting in a room, we should not be uncomfortable and the noise should be very less.

Similarly, various home appliances like the mixer, washing machine, refrigerator, the refrigerator is working 24 by seven in our houses. The compressor made by the leading companies like LG, Samsung, and so on. That all needs to be tested with the noise performance so that there should not be any abnormal noises which will be distracting during our regular working. So, these are simple things.

Whereas, another part of the acoustics, that is the theater where we go for the movie, they all are acoustically treated. So we are surrounded with various noisy environments and we are creating a quieter environment and pleasant environment for the society. So, our customers are from different segments.

We are serving currently to the defense in laser, automobiles, and several other PMC companies. If I come to defense, we are regularly serving to HAL, Hindustan Aeronautics Limited. They are developing several facilities for MRO centers.

They are developing several fighter plane engines. We are making test cells for HAL for their several facilities like in Bengaluru, like an Indian Air Force, Jamnagar for Chakeri Air Force at Kanpur, and several others. They have a tie-up with GE404 engine with USA.

So, they have new test facilities coming at Nadiad somewhere in Gujarat. We are also making a test lab for them. We are recruiting a project for HAL in Odisha where the Sukhoi fighter plane engine was to be tested. So, this is the difference. We are also serving to DRDO. We are serving to NSTL and so on.

In automobiles, we are one of the leading names. We serve almost all leading automobile companies within India. Mainly, you can say Maruti, Honda, Suzuki, Escorts, New Holland Tractors, Hero MotoCorp, and so on.

So, any automobile company is making an assembly of several noisy equipments. That all has to go with the noise performance testing so that the end-user should feel comfort. For example, if I come to the automobile, the automobile is just an assembly of several components.

That may be the engine, steering, gears, seats, wiper motor, dyno, and all. So that all these components are well tested for the noise performance at the manufacturer and as well as at the end-user. Who is producing this component has to test this component as well as the end-user like the Maruti, Honda, and all.

They also test at their facilities. We are into, as I said, the home appliances companies are our customers to whom we are serving. So, what are the uses of this acoustic? There is some natural noise available. So, if there is any accident, that will affect the human concentration, its behavior. And any high noise is going to affect human behavior and also some health-related issues.

So as per the international guidelines, it has been made. International standards have been made. Some ISO standards have been made. So all has to comply. Since India is the fastest-growing economy, there

is a good amount of infrastructure growth, good amount of industrial growth. So what the acoustics work is, is expanding day by day.

So, we are doing good innovation since we are early in trend. And the leading manufacturer in this segment, we are founding. It's a very huge market. We are exploring it. Day by day, we are getting good amount of inquiries. Our order book is increasing day by day with a good demand of industries.

We are forced to expand our facilities. Currently, we are having two manufacturing facilities. They are all occupied nowadays. So with the IPO, we have come up with another facility that is something around 8,200 square meters additionally. And I am very much sure that in the next two to three months, we will be starting the manufacturing there over because of our order book is going, increasing day by day. So currently as I said, we are working with B2B for several organizations.

Sorry, I would like to inform one more thing. Like the large project management companies like L&T, Tata project, Godrej property, they are our regular clients. Because of L&T, they are making several high-value projects.

And we at Envirotech is their partner for several, noise-related adverse effects. So, like for L&T, we are working currently with Tata Steel plant. We are making some stressing machine acoustic housing.

For L&T, we are working currently with Hindustan Zinc project. Hindustan Zinc plant at Rajasthan and several others. We have done a good amount of work with the Tata Projects Limited for the new parliament.

There, we made the Raj Sabha and Lok Sabha some acoustics work. We make some several utilities, that is AHU and cooling tower. We make them silent for the comfort. So, as I said that B2B is our core, area of operation as on date. But, since we at Envirotech believe in creativity and innovation, we are inclined and intended to have extension toward the B2C segment too. So, for that, we are expanding our office facility in the next two months.

We are hiring several team members. And in the B2C, I would like to make the quieter environment to the individual. For example, the gentleman in this call will also be facing some noise-related issues, like traffic noise is entering into your house, like any banker call is close to you that is making adverse noise and several other noises. So we are now developing several arrangements so that we can make the individual house also quieter.

If you go to Amazon, you cannot find the solution for the noise-related issues. So we are also entering to that. So this is a very interesting field. And the market share is expanding day by day. With our innovation, we are trying to introduce several good products so that we can make our market share higher. So it is going to take a little bit time because of market awareness, because of related to the noise, the people are aware if there is noise, what to do. So, yes, we are identifying and we are trying to provide some solution.

We are also in conversation with some prestigious organization for their association or the ventures. I would like to disclose, we are in an advanced stage of conversation with Siemens Energy for their export to the European market. They find Envirotech as their valuable business partner. And the discussion is going on at the very advanced stages. So hope to have some venture.

We are about to close association with IIT Delhi. I hope in the next two to three months, that association is going to be done. Like the IIT Delhi has developed some, you know, that is product. That is for the noise barricading. Like in the hotel you are going, there are two walls are common. And TV is fitted on that. So from hotel one room to another room, any noise transmission, number one. Number two, in the multi-story, in the high-rise building, is there any gym? The children are walking or dancing next to the floor. So the lower floor is going to be disturbed. So these types of noise-related issues are expanding day by day.

So since IIT Delhi has developed some products, they have identified Envirotech as their business partner. So our association or MOU is going with the Ministry. So I am hopeful that in the next two to three months, we are also. So several things are going on in this current year. So I am a positive person. So I am very much sure that within the end of the current financial year, we will be having good business volume as well as good business association, which will reflect into our next financial year.

And also at that time, we will be also having our good facilities. We are into expansion model nowadays. And I am pretty sure that we are going to multiply our business in the next two to three years with the good demand in the market, the expertise we are having, as well as the good innovative products we are developing with.

So since there is sort of time, and I have a lot of things to say about the technical, because I am a technical person, I like and love my field. And there are a good amount of things I may request, that if you please visit our website, you will definitely find very interesting things, and you will definitely correlate several noise-related effects surrounding to you. So that only I can say. I will definitely reply to your questions as per your requirements. For that, since half year results have been declared, so I will give call to my financial team who will explain about our half year results.

Over to Mr. Arun, please. Mr. Arun, please.

Arun Kumar:

Hi, sir, everyone. Arun Kumar from Envirotech Systems Limited. I would like to introduce our financial performance for the first half financial year for this budget. Our revenue stands at INR16.75 crores compared to INR18.86 crores in first half of '23-'24 and EBITDA has significant growth reaching to INR4.65 crores in first half FY '25 versus INR3.45 crores in comparison to the last first half. Our PAT has also increased, and the last PAT was INR2.27 crores. For this period, INR2.83 crores. EBITDA also grows and our PAT also grows in comparison to the last period.

So with these updates shared with you, I would like to invite the moderator to open the floor for the question-and-answer session. Thank you so much for having us. Thank you.

Moderator:

Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Agastya Dave from CAO Capital. Please go ahead.

Agastya Dave:

Thank you very much, sir, for holding the conference call. You have a very interesting company, and I was looking forward to interacting with you. You have given a very nice platform, sir, for everyone. Sir, I have a lot of questions. So the first one I will ask is about the capacity expansion.

Sir, you have mentioned in the presentation that the expansion will be from the existing 2,000 square metres to 8,000 square metres. So, is it exactly comparable? So when the new facility, Unit 3, when it

comes in, our total capacity should go up to 10,000, right? So, is it really, in terms of potential revenues, 5x of what we can do today?

Manoj Gupta: Yes. So, I will reply to that. Since we are having a good amount of order booking, number one. Number two, we are having a good amount of funnels to introduce acoustic projects. So, yes, what you said, I don't want to say at this instance, but note down that our revenue is going to 5x in the next three years, sir. So what the venture and the association we are looking for, they are metallising. So, definitely, the facility with the expansion we are doing is going to be sorted in the next financial year, that is '25-'26. So, yes, it is indeed required, sir. Because we are having a good amount of projections for our business, sir.

Agastya Dave: Excellent, sir. Guptaji, a question that I had was, the products that you make and the projects that you do, what are your -- you said you have a lot of expertise in this field. So, first question is, do your expertise specifically lie in the field of acoustics, or do you cover the broader area of vibrations itself? Do you do anything on the vibration side also or you concentrate only on sound?

Manoj Gupta: Currently, we are into acoustics and noise only, sir. Vibration, directly, we are not. Vibration is also a very, very big field, sir. So, noise and vibrations are a little bit correlated. But vibration has definitely a very different line. Like any tunneling project is going on, the building under which the tunnel is going, so that creates a vibration. So, no, we are not into the vibration. We are only and only exclusive, that is acoustics only.

Agastya Dave: Great, sir. Sir, in acoustics, are you into active products or passive products? Are you making just the tiles and the panels, which reduce noises? Or do you provide some, let's say, electrical equipment also, which can do active noise cancelling?

Manoj Gupta: No, we are into passive noise control, sir. We are manufacturing acoustic panels, that is, windmill panels, because the noise varies from different decibels. If I come to the technicals, the natural noise level is something around 40-45 decibels. Nowadays, I'm very much happy that the government has, you know, advertising our film too. If you go to the paper, you can see in the Diwali, this was the noise level. They make some tabular form.

You know, while you are driving, you can definitely ask, you can call to the police, if there is any abnormal noise or any, you know, after the night time, any noise is going on. So, in Mumbai, we are doing several projects for the construction companies. You name the companies, like the Raheja Builders, like the Godrej and all. So, construction activity is going on, that is going to disturb to the nearby residents. So, yes, we are into the passive noise, and there is nothing like any electrical and other, you know, technical piece that we are doing.

Agastya Dave: Understood. So, one final question before I move back in the queue, because I have other questions also. Can you describe, so, in the RHP which came out during the time of IPO, one of the assumptions that you have made is that the inventory levels should be substantially higher than what they were like historically?

So, you have talked about 90 days inventory. So, is there a particular reason for that? So, that was just a general assumption, or was there a specific reason for that? Because I looked at the numbers, the

inventories have not gone up. But you were expecting that the inventory numbers, inventory days would go up. So, is there something?

Manoj Gupta: Yes. Okay. So, you said that why the inventory for the 90 days is there as per the document we have published.

Management: Sir, a lot of inventory is also there because we are expecting a good flow of orders. And some of the inventory is also there because there is execution going on for some projects that we have already taken. So, it's a mix of both things.

Agastya Dave: Sir, will it rise?

Management: See, there are two things. First, there are some orders which are a work in progress. So, for that, inventory is there. The other thing is that we are anticipating a lot of orders in the second half because the second half is much better than the first half. Historically also, the second half has been something like around 65% to 70% of our revenue comes from the second half. So, that is why we also have inventory in place to actually take care of the new orders or the current orders that we have in hand.

Agastya Dave: Understood, sir. Sir, I'll go back to the question queue. I have further questions. I'll come back.

Moderator: Thank you. The next question is from the line of Prateek Chaudhary from Saamarthya Capital. Please go ahead.

Prateek Chaudhary: I just want to question after the previous participant on the potential top line we can do on the expanded 10,000 or 11,000 square meter capacity or land parcel. So, if you can give -- did I hear it correctly that you can potentially do 250 crores top line in FY '26? Was that clear?

Arun Kumar: No, no. Actually, what Manoj said was that we are targeting at least 4 to 5 times of our current revenue in coming 3 to 4 years' time. It is not for the next year. It is for next 3 to 4 years that we are targeting complete utilization of our new facility that we are taking. There are two bits of it. First is, of course, that the capacity utilization should reach 100%.

And the second thing is that the high margin orders, you know, initially when we are fulfilling the capacity that is we are trying to reach 100% capacity, we take all kinds of orders where some of the orders have low margins also. But as we approach a higher percentage of utilization, we usually take orders on which we receive higher margins. So, there are two things. First is, of course, utilization of capacity. Second thing is going for orders which have much higher margins. Right.

Prateek Chaudhary: And the full utilization number on this expanded capacity, would you take it as 250 or is it a much higher number than INR250 crores?

Arun Kumar: No. I think that would be somewhere around INR180 to INR200 crores.

Prateek Chaudhary: Okay. INR180 crores to INR200 crores. Okay. And, sir, another question on margins. If I back calculate your margins, so in the second half of FY '24, you roughly did almost 48% EBITDA margins. Was there some sort of a one-off there? I mean, is that repeatable?

Arun Kumar: No, that is not so. Actually, we were operating at 100% or sometimes even more than 100% capacity utilization. So that's where we were able to choose orders which had higher margins. Okay. So, in that case, what happened was that we were choosing orders which had much higher margins and orders which had less margins. We were just, you know, at that time dropping off because our capacity was already full.

Going forward with the new facility in hand, of course, margins would be impacted a bit because our primary concern would be going for higher capacity utilization. That is, we want to reach 70%-80% capacity utilization as soon as possible. So that's where we'll also be accepting orders which have a bit of lower margins. But yes, of course, going forward, I mean, once our capacity reaches 90% or so, we'll be then choosing orders which have much higher margins.

Prateek Chaudhary: Right. So, in this process over the next 2-3 years, when you scale up your utilization, what's the bare minimum EBITDA margin you feel would be possible? You know, the floor of it?

Arun Kumar: Somewhere we take at least 22% to 25% margin orders. We don't go below that.

Prateek Chaudhary: Okay. Because last year you did 35% on a full year basis.

Arun Kumar: Correct. So that was comprising mostly high margin orders. But even if we take lower margin, we don't go below 20%-25%.

Prateek Chaudhary: Okay. And if you can maybe elaborate on what we may potentially be doing with Siemens. And is this for exports, right? Siemens?

Manoj Gupta: Yes. What is going to happen? Siemens is making a gas turbine. So they are based in Germany and several European countries. So currently they are sourcing from acoustic housing, the acoustic chamber for the gas turbine. They are making multiple megawatt turbines. So they are sourcing somewhere from European countries as well as China. So as a policy, they don't want to make some more business with China. So, they are now coming to India. We are having three visits approximately two weeks back.

Two gentlemen from Germany and the US have visited our facility and had a long discussion. So, they will make the gas turbine. We as Envirotech produce the acoustic chamber for the gas turbine. And that will be 100% export to the European countries. Yes. So that discussion is going on. It is going to take time, approximately three to six months. And we are very much hopeful that with only one venture, our current facility will be almost utilized.

Prateek Chaudhary: Sir, you can probably get INR150 crores, INR200 crores from this.

Manoj Gupta: Sir, we are working on a label. So hopefully, I will be able to say it soon. And in the last conversation, I said that we are looking at it positively that within the next two years, we will need an expansion. So yes, things are going on. Because now we have two facilities. Current facilities are ongoing. We are not dropping our current facilities.

Prateek Chaudhary: Okay, sir. I have more questions and I will get back in the queue. Thank you.

Moderator: The next question is from the line of Varun Agarwal from Networthy Financial Services. Please go ahead.

- Varun Agarwal:** So, I have heard about the growth numbers which we are talking about which are very impressive. In such an outlook, why have we shown de-growth year-on-year in H1?
- Arun Kumar:** There is a slight drop of 11% in revenues. That is more because of the accounting, recording and all. Because some of the orders, we haven't hit the milestone. They are under execution. So as soon as we reach the milestone, they will reflect in the book. So it is just a matter of as on 30th September, some of the orders which were under execution, the milestone we were not able to hit.
- And also one more thing that the first half is always more, it is much less compared to the second half, at least in our industry. That also plays a role. I mean, even if you see our historical numbers, the first half has always been a bit lean and the second half is the more prominent one.
- Varun Agarwal:** Yes, I got your point. I am comparing with the first half of last year itself.
- Arun Kumar:** Yes, so there is a slight drop of 11%. That is more because of the accounting thing. Because in some places, some orders we did not hit the milestone and we could not record it as revenue. So definitely that will be recorded in our second half.
- Varun Agarwal:** Generally, milestone-based recording of revenue happens when the contract is a long-term contract. So how long is the average duration of our contracts?
- Arun Kumar:** See, that depends. We serve a lot of different industries. In some of the industries which have more technical kind of projects and or where we are dependent on other third parties, there it might be 6 months, 8 months or 10 months also.
- Manoj Gupta:** Okay. In some of our current order book is having HAL. There are 5-6 project-based orders with us. So they are under process. So being multi-course orders, the execution time is a little bit higher.
- Varun Agarwal:** And what is the average debtor days? From the time of billing when do you usually get the payment?
- Manoj Gupta:** Normally, sir, once we get the order, then there is a drawing. Because of one thing I would like to bring, we are a technical solution provider. Means there is a scratch to the execution. Our scope of work is design, engineering, manufacturing, supply, installation, commissioning and testing. So this is a complete cycle. So anything from scratch, to design, to the handling or whatsoever the noise performance is required by the end user. So the cycle time is something around, it depends upon the project to project. So it varies from 2 months to the 4 months.
- Varun Agarwal:** Sir, I am asking, after you make an invoice, after you raise an invoice, in how many days does your customer make payment on an average?
- Manoj Gupta:** Yes, so average you can say that is something around 45 days, sir.
- Arun Kumar:** Okay. Because last year we did INR46 crores revenue and the data was around INR17 crores, which was much higher than what we are discussing.
- Manoj Gupta:** In the year closing in the month of March, because the books are being closed, so we did a good amount of invoicing in February and March and marks. Because of the year closing, we have a huge pressure to

go so that the funds should not be left with the PSU's government and several other Indian organizations. So that will be happening.

Varun Agarwal: What is our present order book?

Manoj Gupta: Currently we are having something around INR27 crores-INR28 crores orders in hand, sir. And that is a confirmed order we are having and that is under process. Because this whole effect was in November, approximately INR7 crores to INR8 crores orders we are expecting in the next two to three weeks. So currently a confirmed order is INR27 crores, sir.

Varun Agarwal: Okay, one last question. Who are our direct competitors?

Manoj Gupta: Look, since I explained that we are a very innovative, producer for noise related products and having expertise in that. So, there are several local competitors out there who are making the simplest form of enclosure, like any metallic body or the enclosure anyone can produce. Since we have developed and, we have tested our product for our government laboratory and several certifications we are having, so there is nothing like direct competition in this field we are facing as on day one.

Arun Kumar: No, because if there is no formal competitor, then the market size also will not be huge, you know.

Manoj Gupta: Look, as I said, there is some local competitor like any, you know, blower or compressor or any noisy products are there. So, some local competitors are there, but not big. So as you said that how the market is going to expand. I would like to say that awareness is going on day by day. The market is at a very increasing position. So definitely someone will come.

The biggest people are looking at Envirotech and they are trying to come with us. But as on time, no, some people are not like that.

Management: I will give you certain examples, you know, layman examples to give you how the market is increasing. See, our product is very different and it takes time to understand what kind of business we do. See, first and foremost, like air conditioners. If you see air conditioners 10-years back, they were making a lot of much larger noises than they do right now. So the noise level in air conditioners or in refrigerators or in different equipment that we use, mixer, grinder, anything that has come down considerably. And that is because the technical specifications that are required, maybe ISO certification or whatever certifications are required, you know, in that there is a component of decibel level.

Okay, so that because of those decibel level criteria that has been put in place in different technical specifications, that is why, the noise level has to come down. And that is where our, technical know-how comes into picture. So you'll find our usage in almost everything that we do from automobiles to consumer products to defense equipment everywhere. So this is a field that is growing because of the awareness and because the technical criteria everywhere are involving more of the that the decibel level has to come down. So this market is expanding with awareness.

Varun Agarwal: Understood. Thank you so much for answering my questions and wish you all the best for the coming years. Thank you.

Moderator: The next question is from the line of Darshan Jhaveri from Crown Capital. Please go ahead.

- Darshan Jhaveri:** Hello. Good evening team and congratulations on a great set of results. So I understood the broad vision of the company and with the new capex but just want understand how will our near-term thing results be. For example, right now also we've you know, come to 25% EBITDA margin I think right now and with the new capacity going online we'll have a further hit in margins come. So, you know what is our you know guidance for H2 and FY26 in terms of revenue and margins because from what I understand the new capacity will also take some time to run at full capacity.
- Management:** You're quite right. At the immediate, I would say the margins will be a bit compressed because initially you know the fixed cost come into picture the fixed cost, depreciation and everything will come into picture. So our margins will be hit because of that. It's only a bit later I think after one year one and a half years that our capacities would reach a level where it would substantially contribute to our both top line and bottom line.
- So, at the end and everything the working capital the new people that we are recruiting all those costs will hit and that will impact the margins in the short term. But of course, the revenues and everything will take some time as we reach higher level of capacity utilization and then that effect will come in.
- Darshan Jhaveri:** Correct. So, on a rough range what kind of EBITDA or PAT margins can we expect? As you said H2 will have a lot of more execution. Overall, like last year I think we did around INR46 crores of revenue so current year what kind of revenue do we see and FY26 how do we see the signature?
- Management:** See at this point it would not be right to give an exact number or something but broad range internally is that we are targeting close to INR55 crores to INR60 crores turnover.
- Darshan Jhaveri:** Fair enough that also works sir for this year's top line. And sir just sorry to again ask about the margins. With the new factory coming, so H2 will see similar margins like I don't need an exact margin guidance
- Management:** But some margins will be impacted because you know the figure fixed cost will come into picture first. The effect of the new facility will come in the next financial year. So I see in the second half margins might be a little compressed because of the fixed cost of the new facility coming up.
- Darshan Jhaveri:** Fair enough sir. And just one last question sir. We said we have a lot of new products and we are expanding the market as we are creating a new industry on our own. So what gives us the confidence that we will be able to achieve the numbers that we are stating like. Is there some international examples where some similar companies are there or something that could help us like how will we grow sir?
- Arun Kumar:** I would not be able to give you some international example but I can definitely give you our historical example. If you see our past financial figures, we have grown from INR9 crores to INR18 crores, INR18 crores to INR26 crores, INR26 crores to INR46 crores. And now we are trying to ramp up. See all this 9 to 18 and all that has been on the same facility. We have not expanded the facility at all.
- But right now we felt the constraint, we felt we could not execute large contract that's why we were -- we have taken up such a big facility. And we are very confident of totally having 100% capacity utilization soon because we have got feedback from many of our existing customers as well as new customers that there is a very good demand.

Both in several segments, in defense, in automobile, in construction, in a lot of fields where our customers have given us good feedback that there is a good demand. So we are very much hopeful that we will be reaching good higher capacity utilization levels very soon.

- Darshan Javeri:** Great to know that. And all the best for the future vision. Thank you so much for that information.
- Arun Kumar:** Thank you.
- Moderator:** Thank you. The next question is from the line of Manish Shah, an Individual Investor. Please go ahead.
- Manoj Gupta:** Hello, Manish Shah.
- Manish Shah:** Actually, I have visited your website. Your website is very good. But while visiting your website, I came across two more websites. envirotechacoustics.com and envirogroup.in. Actually I would like to know both these websites belong to the – these listed company? Or these are different companies?
- Manoj Gupta:** No. The website belongs to Envirotech Systems Limited only. We have – with the marketing prospective we have made a few websites because our product range is higher -- because we are doing advertising over the Google too. So due to some specific reasons we have made two-three websites.
- Manish Shah:** Thank you. That would be fair enough. Thank you.
- Manoj Gupta:** Okay. Thank you.
- Moderator:** Thank you. We have a follow-up question. It's from the line of Agastya Dave from CAO Capital. Please go ahead.
- Agastya Dave:** Thank you very much for the opportunity. Gupta Ji you have mentioned at various moments of time that you are also looking to get into B2C. And the opportunities there also is very big. Sir can you tell me something about that, what are your plans in the long term?
- Manoj Gupta:** This is a big segment for which we are serious. If we are able to crack that opportunity, that is going to be huge. For example, nowadays, the doors -- soundproof doors is in picture. Sound proof windows. It's a huge demand in the domestic segment as well as commercial segment too. So currently, the general doors are being utilized. So we are trying to push to the acoustic doors, acoustic windows, even individual house living room.
- Where this is -- I would like to give the feel of your living area like an Audi. So I would like to introduce some acoustic panels in your large size of TV. So there is an acoustic panel like in the auditorium the movie you feel, you can see there is a fabric panel and all. So, these are for B2C. So, we are developing our e-commerce website. That is – this is, I would like to clarify one more thing.
- See we are not diverting with our work. Our core area is acoustics and noise. We are developing and hiring a new team. We have made an website that is acousticnest.com that is an e-commerce because you cannot find this interesting product even any other platform. So the acoustic panels for the living room to make a feel like in home theater, like the soundproof doors, sound proof windows.

As well as we are introducing a telephone booth to because in the large scale open office area. If there is a personal call – if any issues is there. So if anyone is talking, all is listening. So we have started making telephone booths. Even we have sold that thing. As I said that we are experimental people.

So the telephone booth, they are going to be sell -- directly to the end user. So there are a variety of products we are having. Sir. And that work is going on in that. And the soonest, hopefully we'll be able to launch it. Once it is launched and with the calls I am getting, the response because of in my – in our system, we are regularly getting on an average two calls minimum per day from the individual person.

Like the simple example I am saying, the person is sitting – he is having work from home IT professional. And his child is crying. He is, you know, he is saying that boss thinks I am not doing any work. Please help it out. I said, sir, we are into only industrial -- please help it out. I am really in trouble. I am getting a lot of calls from ladies, construction activities are going on next to us. Please help me.

We have a lot of problem. We are not able to sleep. So, while reviewing all these things, and the personal activity, I am telling that there is no awareness that is there any solution for such problems? And we would like to produce, you know, provide the solution to this segment. So, for this, we are setting up a new team, which will take this project, I gave you a lot of examples of IIT Delhi.

All this is for B2C project, not for B2B. So, this is a big job, if it can be done. We are trying our best for that. And I am damn sure that it will take some time, but within two years. You should have a separate branch of Environotech, in this particular specific segment. Sir.

Agastya Dave: Sir, this is a very big market outside, in the US, even in China.

Manoj Gupta: Absolutely correct, sir. I am looking at the US and European market only. And because it is the same in India, it used to take time in the first technology transfer. Today, the iPhone was there, and it was released in India. So, the requirement of humanity is in the US, in the UK, and that is in India. Our project is welfare related. It is not for all common man. For common man, the government is doing a lot of work.

For example, flyways are being built, highways are being built, high-speed trains are being built. We are setting up noise barriers. Right now, we are setting up Afcons project in Mumbai, which is a tunneling project in BMC. So, when that tunneling process will take place, it will take two years, a lot of noise will be generated. So, there is an order of something around INR1.5 crores to dedicate that area.

So, the government, BMC has asked Afcons to provide this solution for the Environotech, so that there are no nearby residents. So, the government is taking care of common man. And our project is a little welfare related. People need comfort in a segment. And comfort comes from acoustics. And what you have said is absolutely right, that it is a very big market. In India, awareness has started to grow.

People don't know that can there be any solution for this? And we are going to introduce the solution. Yes, sir, please.

Agastya Dave: Sir, second thing, you have just mentioned that your fix will face overheads. So, with the new capacity which is being added, if I see your employee base, it was INR4 crores last year's expense. It has increased to INR2.7 crores in the first half. So, its full capacity to run it, how much more hiring is left for the employee base? And how much will be the cost base? For the full capacity?

Manoj Gupta: Sir, that's a bit preliminary to answer right now. Because right now, a lot of work is going on. So, we don't know how much hiring will be needed. But of course, we are very mindful. It won't happen that we fill it first and then wait for the work to come. So, this will happen in phases. Our work will also increase and we will keep hiring like that. And we have done more things together.

Like we are getting ERP installed. Okay? Until now, ERP was not needed because the company was not of that size. But ERP is a very significant investment for a company like us. But it is needed. Because we are expanding, we need coordination in different segments. So, we need such things.

One more thing I would like to tell you, we are planning an experience center in Delhi where people can go and feel their acoustics. So, this is also in our vision. Experience center. We will start from Delhi now. We are getting a lot of calls. Our people want to become distributors. When we are going towards B2C, we are planning for distribution network in different places.

So, there is a lot of planning. Our first principle is clear that we have to increase our revenue profitability. Yes. We don't have to divert completely because what we are able to do, we are able to do from B2C. That is an ally. After some vertical growth then we will do something. Till then we will increase our profitability and business growth.

Agastya Dave: Excellent sir. Sir, one last question from me. In your DRSP when I was looking at the cost items in your IPO time. So, I saw a lot of expenses in the cost side which are pointing towards that you also work a little on the site level not just manufacturing. I also found a little installation work. So, in your installation what is your presence? If I see your revenue how much manufacturing is there in it and how much project related revenue is there and in the installation.

Do you give it to any EPC and your site manager there. Just tells them to install it like this or will you have an installation team and in the future, will you go to the EPC side for this project installation. For example, this BMC project that you said. There is also a little EPC element in this that you will do the installation yourself. So, as the scale increases. This element of your company will also increase. So, is my understanding correct or am I a little too confused?

Manoj Gupta: No, you are absolutely right, sir. As I said, we provide turnkey solutions provider in design, engineering, supply, installation, testing and handling. So, our installation team is dedicated. We are having three projects engineer, project manager and our employees are directly approximately 35 team members as on date, they are our board who are directly the installer of the company. Because since we are making a specific product for a customized solution.

So, the installation is ours in 80% cases and we only install it, sir. If there is any local BMC. So, if any support is needed from it otherwise 90% is ours. These are the services in a way. So, in revenue, I think it will be around 10%, 15% installation, but it is in our scope why not now?

Management: Sir, I would like to add. These are some projects of very technical nature very much of technical nature where no one else can execute. No one else can do installation and all. There we have to do it end-to-end. So like when we talk about margins. Our margins depend on how technical the project is. Technical means how much customization is needed, how much designing and everything is needed in-house. So, the more technical it is the more the revenue. I mean, the margins are good plus, of course, installation and end-to-end. Everything is ours.

Agastya Dave: Sir, this is your raw material. With which you are making it because the value addition is quite high. Your gross margin is 54%, 55%. Now, I understand that the pricing will be bad when your expansion will happen. So, that I understand, but if we talk about last year's numbers. So, gross margin level at 54%, 55% margins. So, value addition seems to be very high. So, what is your raw material, what is the imported component, what is domestic, what material do you use, sir?

Manoj Gupta: See, all our material is Make in India. So, meanwhile number one we have two fields, engineering acoustics and architectural acoustics. As you can see engineering acoustics is a major field of steel. Steel is only used to provide an outer rigid body so that structural stability is maintained. For example, we are serving BHEL regularly. BHEL's 600 megawatt, 700 megawatt, 400 megawatt. Now, in BHEL, I think the average ticket size is INR80 Lakhs, INR90 Lakhs.

Now, we are doing the order of multiple BHELs worth INR1.5 crores, INR1.2 crores. So, if we are making a turbine house, then its outer body will also be made of metal which is Make in India, Tata, AMNS or JSW we take steel. Apart from that, the technical part is acoustic material because when noise waves are transmitted, it is used for absorption. So, its sourcing is in India. In India, we take mineral wood. MLV, that is Mass Loaded Vinyl. So, we take it from Indian manufacturers. What happens is, the main technical point is to utilize the material appropriately.

We continuously test our products with CSIR and we take a lot of focus on design and engineering. So, material is Make in India, to utilize it in an appropriate way, different noises, for example, the noise level of a fighter plane will be different. If we are making it for a refrigerator, for a compressor there will be different frequencies and different noises. So, different compositions of different materials that we do. So, material is Make in India and because of raw material none of our work gets affected.

Agastya Dave: Understood sir. Thank you very much. Sir, I have one request if you start giving quarterly earnings voluntarily, it will be very good because it is a very unique company. It will be very difficult to track it. If there is a gap of 6 months, if you publish a small unaudited result on every quarter, how much growth was there, what was the order book, your commentaries will be very useful for us?

Management: What has happened is since it is a small company. Gradually, we are transitioning from a small company to a big company. Of course, slowly we are doing other things. Of course, slowly and gradually we are doing many things, we are bringing ERP, we are strengthening systems processes. We ourselves strive to go in the path where we do quarterly. We cannot give any assurance right now, but of course, definitely we want that to happen as soon as possible.

Secondly the biggest problem is that people are not able to understand our business. If they understand our business, they will understand that it has a very high scope. For example, if there is a child's exam at home in March, then either the TV gets switched off or it is sold in a corner. If you have a sound installation method, then you can do both. You can have a TV at home and at the same time your wife and mother will be happy and the child will be able to study, but such things are not available. You can imagine how big the B2C market can be. There is noise in the house. If there is a house near a mosque or a religious place, then there are other problems. We see all these things in the common. The scope is very high, but there is no solution.

- Agastya Dave:** I wish you all the best. Very interesting company, the IPO itself was very interesting and after talking with you a clarity has come. So I really appreciate it. All the best sir. Thank you very much.
- Moderator:** The next question is from the line of Axay Shah from Kriis PMS. Please go ahead.
- Axay Shah:** Thank you for opportunity. Almost my all questions are answered. I just want to understand that why our first half is 30%, 40% of our business meaning what is the reason behind that?
- Management:** So in India we woke up slowly and gradually, everywhere we have a B2B business. We depend on that others. So if government order is there or PSUs orders are there or it is somewhere else. So first half is that from July to September there is a rainfall. So because of rainfall all the projects get stuck. So that is one effect. Second is that we stay awake in last month and second is always much better. You will see this in many Indian companies. The trend remains the same. The second half is far better than the first half. B2B depends on us. We are dependent on other businesses.
- Axay Shah:** And sir can you throw some light in the defense industry, will it portion in our revenue increase going forward and how is the progress there?
- Management:** Definitely. There was the Ukrainian-Russia war. The things that used to happen in Russia are now happening inhouse in India. We are doing soundproofing. Many things that never happened in India are happening here plus because of Make in India the business going to China is also happening in India. We are getting all the benefits. There is no special name in sound insulation, there is no such unorganized sector. We are one of the biggest beneficiaries for this. The Ukrainian-Russia war and Sukhoi fighter and other things are happening in the defense we are involved in soundproofing and replacement.
- Axay Shah:** Sir, you are the organized player meaning most of the orders are going to you in defense?
- Management:** Correct. Our largest orders are around INR6 crores.
- Axay Shah:** Okay. Its size can increase from here. How do you see it?
- Management:** We are moving in that direction so that it becomes a significant area for us. Now also 30% of the revenue is from defense.
- Axay Shah:** Thank you so much.
- Moderator:** Thank you. The next question is from Navin Ramchandran from Bellwether Capital. Please go ahead.
- Navin Ramchandran:** Sir, I wanted to understand in terms of entry barrier what are the entry barriers in terms of certification or when you bid for a project what is the technical criteria do the customer look for?
- Manoj Gupta:** Okay. Since we got an inquiry with the basic being a leading organization in the first week. The customer having a query that we would like to achieve this thing then our work starts. Sir.
- Navin Ramchandran:** So it is all solution based you don't have readymade products or you provide solution based on the customer requirement?

- Manoj Gupta:** It's only customized. Basically our 80% work is project based work. Means the customer having a query and we have a solution. So basically it's a customized product we are making.
- Navin Ramchandran:** And the products you have developed when you provide a solution how much of the product is insourced and how much you buy out from outside?
- Manoj Gupta:** We make it our factory. We procure the raw material from different sources as per the technicality of the job. But making at our facility. So we are not outsourcing any complete solution. Just some sort of accessories or some raw material we use to get with the source.
- Navin Ramchandran:** And for developing this solution have you tied up with any other company or all this R&D is done in-house?
- Manoj Gupta:** No. We are exclusively in our panel. We have top notch technocrats in our company. One of the name is Dr. Pawan Singhal. He is a M. Tech and PhD from MIT USA in noise and vibration. He is in our panel. He is one of the top technocrats because of noise and vibration. So we are associated with him. He is in our panel.
- So various simulations, sound calculations. Currently we are executing a project for company. We are exporting to Australia. So there are good amount of technicalities as per their norms. We have exported our product to Canada. So they require very precise calculations and information.
- So in our panel we are having top level technical people associated with us. So we use to develop and innovate the product which can produce the high level of performance. Then we get it tested and have the result. We are arriving at almost approximately 80 plus test results from the government report. We are a company having a GRIHA certified. All required certification within India that we are having. So yes, there are some associates also with whom we use to...
- Management:** We also have a dedicated specialized design team.
- Navin Ramchandran:** And in terms of competition aren't there any international players who are present in India?
- Manoj Gupta:** Because I said that there is a lot of products or the solutions we have. Regular production items will be there but customized solutions nothing like that. Few companies are there but they are dedicated in making some enclosure like a company in Pune. We are making gas turbine acoustic enclosure for G only. Like we are planning to have an association with human energy. So few companies are there but they are not into the market. They are basically OEM for a large scale industry. They are making the acoustic chamber but they are not into the market. As we are.
- Management:** The biggest difference you must understand is that our USP is customization. We provide customized solutions. You can get a standard some kind of a noise barrier or something from anywhere and do the installation for an acoustic enclosure. But the customization thing that is our USP. That is not what everybody can do.
- Navin Ramchandran:** Understood. And when you spoke about defense I just wanted to understand in which segment or which area your value addition is maximum in terms of the margin profile is significantly higher. Is it defense?

- Management:** In defense we have a significant margin because the technical expertise required to execute such kind of projects is very high. That's why even the margins are quite high. Not everybody can execute those kind of projects. We really pride ourselves doing that.
- Navin Ramchandran:** Understood. Thank you for the opportunity. That's all from me end.
- Moderator:** Thank you. As there are no further questions from the participants, I would now like to hand the conference over to the management for their closing comments.
- Management:** We are really thankful to each and everyone. This is the start of our journey. We really hope that good things will come along in our journey. Thanks everyone. I think we can close the call.
- Manoj Gupta:** Thanks for your valuable time, sir. We at Envirotech can assure that we are definitely exploring a very innovative field and we are towards the path of growth and hope with your support and confidence, we definitely will achieve highest levels of achievements. Thanks a lot, sir.
- Moderator:** On behalf of Envirotech Systems Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.