

Nitiraj Engineers Limited, established in 1999 recently came out with an IPO in March 2017 for listing on NSE Emerge platform. Post IPO, Management of the Company has been putting constant efforts to follow the road map as defined in the Prospectus. Through this report, we are providing an insight to the recent developments taking place at Nitiraj Engineers Limited.

1. Development of New Products

We have recently developed a new version of “Table Top Weighing Scale” for various general applications. The product is feature rich at an attractive price point expected to generate customer interest for new buys as well as replacement purchases. We expect to launch the product in market by June 2017.

We are in final stages of launching another product, “Crane Scale with RF Display, RF Indicator, Bluetooth, IR Remote as well as Android based App” by June 2017.

Our R&D Department is continuously working to upgrade our products with the latest technology. Our team has already developed working models of personal weighing scales integrated with Bluetooth and Android App support and expects to launch the same by the end of June 2017.

We had proposed to invest significant amount towards development of new models of currency counting machines, Electro magnet based Analytical Weighing Balance, Attendance and Access control systems based on biometric and RFID Cards. We are in final stages of completion of “Electro magnet based Analytical Weighing Balance” and “Biometric recognition based Attendance System” projects. We had estimated finalization of these products by December 2017; however, due to efficient R&D and team efforts we expect to launch these products by October 2017 much before the estimated deadline.

Our team is also working on developing a complete body analysis scale that will help in analyzing about 13 parameters of human body.

2. Setting up of new Manufacturing Unit

We had proposed to set up a new manufacturing unit for manufacturing new products. For now, we have recently started manufacturing operations at a new unit within Parwanoo. New premises have been taken on lease for a period of 3 years. This newly acquired unit increases our storage capacity as well as production capacity approximately by 20%. This unit is eligible for 100% outright excise duty exemption till FY 2019-20. Under the GST regime, the benefits are likely to continue as per latest available reports.



We have also shifted to an upgraded version of ERP developed according to the functional needs of our operations. We believe that the newer version will help us to scale up the functional efficiency resulting in lesser turnaround time and effective integration of management and services.

We also plan to set up another manufacturing unit, location of which shall be finalized after implementation of GST. Our legal team is reviewing the tax implications and shall finalize the location shortly. As per the recent notifications, we understand that weighing scales shall fall under tax bracket of 28%.

3. Expansion of Sales & Marketing Network & Brand Building

Our existing market set up consists of branches and dealers which cater to direct sales Institutional Sales and after sales service. We are in process of launching our new products and promote them to untapped areas through newly appointed Managers and Sales personnel.

We have already appointed a team of 4 Sales personnel who are currently in the process of induction and being guided about the Company's ideology and products to make an effective foray into newer market segments.

We envisage that the new products that are being launched will help in upgrading the "Phoenix" brand value in terms of technology and efficiency.

4. Current Order Details

Our current order book position stands at Rs. 22 Crores, comprising of order received in relation to Public Distribution System (PDS) from M/s Oasys Cybernetics Pvt. Ltd., Department of Posts, ICDS Rajasthan, ICDS Kolhapur and other commercial orders.

PDS is an Indian food security system to distribute subsidized foods and non food items to population lying below poverty line. We have been requested to deliver "Platform Weighing Scales" integrated with Bluetooth technology with regard to this.

Department of Posts has given order to deliver them our recently developed "Currency Counting Machines".

Cumulative order size under both these categories stands at Rs. 13 Crores approximately.

The orders for PDS sector assume significance as this would be a new product segment for the Company which has significant potential. The receipt of our maiden order from Department of Posts for our currency counting machines opens the doors to possibly cater to about 1.5 lacs + post offices across India.

5. Business Scenario and Outlook

The demand for our products was adversely affected post demonetization in line with the overall economy. However, the turnaround is visible in commercial market albeit at a slow pace. We expect the institutional segment to lead the demand scenario looking at the recent orders for PDS and orders from India Posts. We believe that implementation of GST will tilt the balance of demand in favour of organized players and the Company could be positively benefitted by this.

As far as FY 2017-18 and future years are concerned, the company is geared up to continue its growth journey and the following points are important to note in this regard:

- New unit is started and fully functional. The unit is eligible for excise duty exemption till FY 2019-20. Under the GST regime, the benefits are likely to continue as per latest available reports.
- Launch of new products in June 2017 is expected to lead the sales growth in specified product segment
- New ERP system is implemented which is expected to bring in operational efficiencies
- Robust order book position from institutional and commercial market amounting to Rs. 22 crores which is expected to be delivered by August 2017
- Improvement in business sentiments augurs well for commercial market
- Level playing field across India due to common GST structure. The GST rate for weighing scales is fixed at 28%. However, with the area based excise exemption benefit available till FY 2019-20, there will be competitive pricing benefits available to the Company.
- Sufficient liquidity on hand will aid in bringing cost efficiencies on Raw Material front and help in improving margins due to reduction of interest cost

New Manufacturing Unit Snapshots

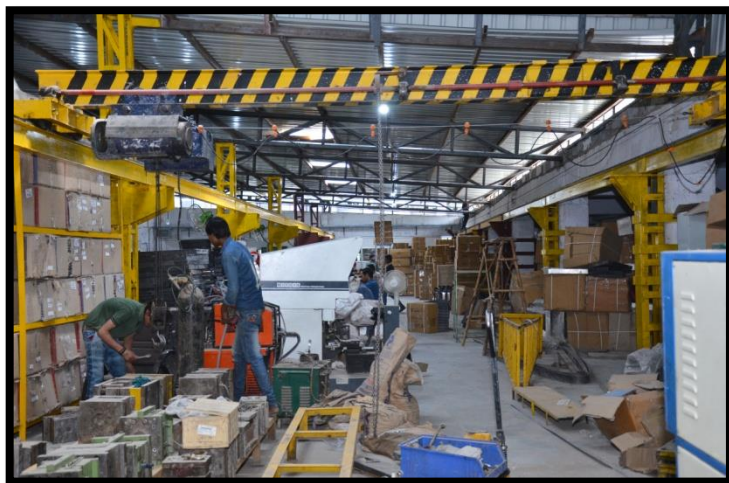


Image 1: Raw Material Warehouse



Image 2: PCB Testing



Image 3: Assembly Line 1



Image 4: Assembly Line 2



Image 5: Quality Control

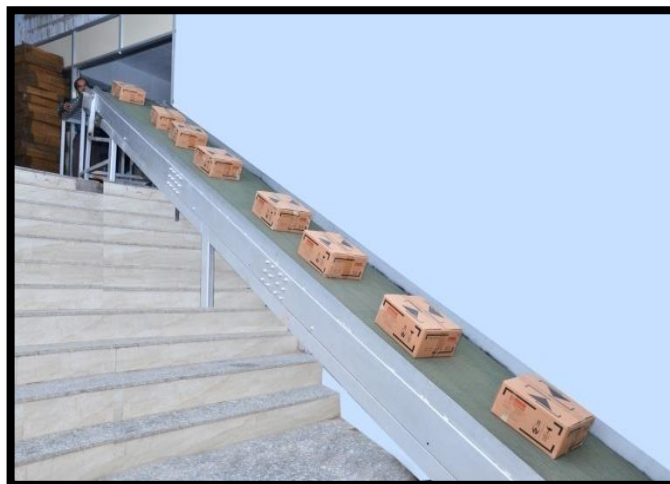


Image 6: Dispatch Line

Disclaimer:

This document may contain statements which reflect the management's current views and estimates and could be construed as forward looking statements. The future involves certain risks and uncertainties that could cause actual results to differ materially from the current views being expressed. Potential risks and uncertainties include such factors as general economic conditions, competitive product and pricing pressures and regulatory developments.

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