



Ref: OK/BSE/2023-24/540

Dated: 27th April, 2023

To,
The General Manager,
Department of Corporate Services,
BSE Limited,
Phiroze Jeejeebhoy Towers, Dalal Street,
Mumbai - 400001.

Scrip Code: 526415

Sub: Analyst/Investor Call Transcript for the Quarter and year ended 31/03/2023

Scrip Name: OK PLAY INDIA LIMITED

Dear Sir,

Pursuant to Regulation 30 of the SEBI (Listing Obligations & Disclosure Requirement) Regulations, 2015, please find the attached Earnings call transcript of analyst/investor call for the quarter and year ended 31st March, 2023 conducted after the meeting of Board of Directors held on 25th April, 2023 for your information and records.

Kindly take the above intimation on record.

Thanking You,

Yours truly,

For **OK Play India Limited**

Company Secretary

OK PLAY INDIA LIMITED

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“OK Play India Limited
Q4 FY2023 Results Conference Call”

April 25, 2023



ANALYST:

**MS. SUPRIYA MADYE– KIRIN ADVISORS
PRIVATE LIMITED**

MANAGEMENT:

**MR. RISHAB HANDA - EXECUTIVE DIRECTOR &
CHIEF FINANCIAL OFFICER – OK PLAY INDIA
LIMITED**



OK Play India Limited
April 25, 2023

Moderator: Ladies and gentlemen, good day and welcome to Q4 FY2023 results conference call of OK Play India Limited hosted by Kirin Advisors. As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this 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. Supriya Madye. Thank you and over to you Madam!

Supriya Madye: Good evening everybody. I welcome you all on behalf of Kirin Advisors Private Limited. Today we have with us Mr. Rishab Handa - Executive Director & CFO of OK Play. I will hand over the call to Mr. Rishab Handa to give his opening remarks which will be followed by question and answers. Over to you RishabJi!

Rishab Handa: Good afternoon ladies and gentlemen. As this our second conference call I would first like to brief you about the company and the various business verticals that we operate in. We are primarily into three business verticals namely toys, automotive components, and electrical vehicles on the three-wheeler platform. The company was established in 1989 by the name of Aquapure Containers Private Limited wherein the intent was to manufacture overhead water storage tanks. Soon the company ventured into more of higher quality moulding and we acquired a company based out of London called OK Play and renamed that as OK Play India, this is when we had started our journey into the toys segment in 1992. In 2003 to 2004 we started venturing into the automotive segment by converting existing metal and fiber products in the automotive space into plastic given its inherent advantages. In 2008 to 2010 we had also signed a pact with Ashok Leyland wherein we had started supplying plastic fuel tanks for the medium and the heavy commercial vehicle segments with tanks ranging from 60 liters going on till about 400 liters. In 2015 we ventured into the electric vehicle space and primarily into the electric three-wheeler space, which comprises of electric rickshaws both in the passenger as well as the loader front as well as electric autos which is the L5 version as they call it.

If I talk a little about the toy space we today set up a very interesting opportunity. We have been one of the oldest players in the toy space but having a majority of a very small pie. This has largely been due to the competition that was being faced by Indian companies from China, so this has not been the case just for that but a lot of other companies that had started with us or after us. However as we speak today the government has taken a lot of initiatives which have brought in a lot of demand for homegrown manufacturers like us in India, this is both domestically as well as internationally. The front most being the launch of the BIS norms wherein a lot of Chinese companies who were earlier making cheap quality products



OK Play India Limited
April 25, 2023

are no longer allowed to sell in India. They have to go through a rigorous test in order to attain this BIS certificate which is not very easy for any of these companies. This has in turn led to a lot of demand both domestically as well as internationally for companies like us.

If I talk a little about the specifics we have recently ventured into a partnership with one of the largest oil companies in the world which is called MGA Entertainment based out of Hudson in the US. They own multiple brands out of which one brand is called Little Tikes which was earlier being distributed in India through the Reliance Group. We have now ventured into a JV with them wherein we would be contract manufacturing products for them for this part of the world. By this I primarily mean that we would be supplying to the Indian market, to the Middle East market, to the Australian market as well as to the Chinese market. The second major development has been our partnership with Hamleys which is now owned by Reliance Brands. Today our brand is available in all the 150 plus stores in India as well as abroad. In addition we have also further strengthened our relationship with them by contract manufacturing for their private label products. These private label products today are supplied domestically as well as exported to their stores in the UK as well as different parts of Europe. Another major development that has taken place is our relationship with a company based out of Australia called Kmart. This is a 10-billion-dollar group with a major focus on toys. They have audited our facilities and chosen us to be contract manufacturers for one of their renowned brands called Anko. We would be supplying rotational molded, blow molded as well as some part of injection molded toys to this company as well. In the toy space we have initially been institutional brand and now are diversifying and venturing into other streams such as the modern retail channel, the export channel as well as the online market which is a huge potential for the kind of products that we do.

Going on to the automotive space today we command a majority market share in the plastic fuel tanks industry. We are single-source suppliers to Ashok Leyland and have been so since the past 10 years. We have a majority market share of over 85% with Volvo, Eicher. Today we are in talks with the largest company Tata to get a substantial share of business from them as well. This can also be seen through our performance this year where we have considerably grown in the automotive space in terms of topline largely owing to the bounce back of the CV market in India. The third segment we venture into is the electric vehicle segment on the three-wheeler platform. Today we have 12 different variants on the L3 version which is electric rickshaw with versions such as passenger vehicles, the loader, garbage collectors and so on, and we also have two variants on the L5 which is the electric auto version wherein we do both the passenger as well as the loader front. Today in the electric vehicle space we are supplying to the B2C market through the network of dealers as well as targeting the B2B market wherein we are doing last mile deliveries for logistics



OK Play India Limited
April 25, 2023

companies as well as e-commerce companies such as Amazon, BigBasket, and Grofers now called Blinkit and so on. Overall all three business segments of ours have seen a tremendous growth this year and a similar momentum is expected in the following years.

If I talk specifically on the financial performance for FY2023 our revenues were at about 182 Crores which is up by 80%. Our EBITDA was about 33 Crores which is up by 106% compared to last year. Our net profit was at about 3 Crores. Talking about the revenue split the toy segment clocked a revenue of about 45 Crores. The automotive segment clocked a revenue of about 137 Crores and the EV segment which has just recently been commercialized clocked a revenue of about 2.5 Crores. Talking about Q4 numbers specifically compared to FY2022 Q4 revenue was at 54 Crores which is up by 26%, EBITDA was at 10 Crores, the EBITDA margin was about 19% and the net profit was at 3 Crores. I will be happy to answer any specific questions that you may have. Thank you.

Moderator:

Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Ravi Swaminathan from Spark Capital Advisors. Please go ahead.

Ravi Swaminathan:

Hi my first question is with respect to the toys business so we had done close to around 45 Crores of revenue this year over the next three to four years what would be the kind of revenue target that you would be having with respect to this and if you can give any thoughts on what could be the size of orders that can come in from all the export opportunities that you were talking about?

Rishab Handa:

Thank you RaviJi. If I tell you a little about the toy market today the Indian toy market is about 18 to 20000 Crores out of which probably 6 to 7% is only organized hence there is a tremendous opportunity for organized players to grow further. If I talk about our company in specific we have grown at about 100% year-on-year. Last year our toy business was a mere 25 Crores business and this year we have clocked about 45 Crores. We are expecting 80 to 100% growth rate in the next three to four years as well and this would be contributed through different revenue schemes not just the export market. Like I said that we have always been in the institutional play so we have now kind of launched a range of products which are more retail oriented as well so we have targeted and started supplying to the modern retail channel such as the likes of Hamleys. Second is we have developed a strong strategy on the online front as well wherein we are doing private labels for Amazon for First Cry called Babyhug, for Mom & Me and other homegrown brands in India and of course the major chunk of revenue is expected from the export market wherein we have already made some significant contributions but the volume of the business will definitely be driven from here.



OK Play India Limited
April 25, 2023

Ravi Swaminathan: Got it and one clarification so basically we are talking about 80 to 100% growth every year over the next three to four years?

Rishab Handa: Yes, that at a conservative level is what we expect in the toy space.

Ravi Swaminathan: Got it and would we be able to maintain the same kind of profitability in the toys business that we are making today with the expansion and revenue?

Rishab Handa: The profitability may come down by a few points but I think that is a offset that we are okay with because we are expecting a very high growth year-on-year and the margins that we demand or that we command in the domestic market would not be possible in the export market but it would still be a healthy EBITDA business of 22%.

Ravi Swaminathan: Got it and with respect to your thoughts on PLI does PLI will it be a part of this?

Rishab Handa: We as a company have worked very closely with the Indian government to launch the PLI scheme which is expected any moment now and under the PLI scheme we are going ahead on the 100 Crores slab wherein we would be investing about 100 Crores in the next two to three years to further grow this business.

Ravi Swaminathan: Whatever revenue targets we have now assume some amount of revenue through the PLI is my understanding right?

Rishab Handa: Absolutely so there would be definitely some amount of revenue coming in through this.

Ravi Swaminathan: Got it. Thanks a lot.

Moderator: Thank you. The next question is from the line of Garvit Goyal from Invest Research. Please go ahead.

Garvit Goyal: Can you throw some light on what will be our strategy particularly in FY2024 to become profitable?

Rishab Handa: If you see our numbers we have shown a profit in the last two quarters and this has largely been driven by the topline. The first two quarters were a little low for us and there were other factors such as high input cost coming in as well. However our strategy in FY2024 is very clear in terms of all different business segments. We are targeting a topline of about 300 Crores and on that we should be netting a profit of about 8 to 9%.

Garvit Goyal: 8 to 9% that is your PAT margin right?



OK Play India Limited
April 25, 2023

- Rishab Handa:** That is correct.
- Garvit Goyal:** You are particularly focusing on this toy segment so what is your internal target for ROCE going ahead considering all the three segments?
- Rishab Handa:** Every business demand different ROCE and you know there is a special focus on the toy segment but there is also equal focus on the automotive segment as well. Like I mentioned that in the automotive space we already sit at a very interesting position wherein we have a majority market share in the plastic fuel tank space. We have also kind of gone into other segments and derisk ourselves by starting manufacturing for nonautomotive companies as well. For example we have recently started supplying to a German MNC called MANN+HUMMEL wherein we are doing windmill covers for them. We have also started supplying to Vestas which is again a big, large windmill company so there is a substantial amount of business expected from these nonautomotive companies as well and hence a decent growth rate expected on the automotive front as well.
- Garvit Goyal:** That is it from my side. All the best.
- Moderator:** Thank you. The next question is from the line of Viraj from Arjav Partners. Please go ahead.
- Viraj:** For FY2024 you are saying you are going to do sales of around 300 Crores am I right?
- Rishab Handa:** That is correct.
- Viraj:** Alright and regarding OK Play what do you think is your edge in this overall thing?
- Rishab Handa:** Viraj that depends on which business you are talking about. Now if I first talk about the toy business you know like I mentioned in my brief there are a few tailwinds that we all have especially for homegrown manufacturers like us and we being one of the oldest and the largest in the space there is a lot of opportunity coming up which can already be seen. Talking about the automotive component space like how I have mentioned the CV market is on our phase, it had been down one year prior to COVID and obviously during COVID but it has been upheld and then this year also the CV market is expected to grow at about 12 to 14%. In addition to just being in the CV market we have also ventured into nonautomotive companies so that is an additional growth or revenue expected from that front as well. The electric vehicle space is fairly nascent for us today and today like I mentioned we have about 12 different variants from the L3 version, we have two versions already approved by ARAI on the L5 version so we are sitting at interesting space there as well because the electric three-wheeler market is booming in India. Today majority of the three wheelers



OK Play India Limited
April 25, 2023

sold in India are already electric and even if we get a small percentage of the market share in actual and absolute numbers it is a pretty good and interesting business to be in.

Viraj: Alright fair enough and since you have said you are trying to do sales of around 300 Crores so do we need any further investment into it to attain those numbers?

Rishab Handa: Absolutely there would be investment into it so the investment would largely be coming into the toy space via the PLI scheme and some amount of investment coming into the automotive space wherein we are right now setting up a plant for Volvo Eicher at Pithampur.

Viraj: Sorry.

Rishab Handa: I said there would be two sorts of investment coming in, in the toy space as well as the automotive component space. In the toy space it is going to be via the PLI wherein we are going to be investing about 100 Crores in the next two to three years. The second investment which would be about 15 to 20 Crores would be in the automotive space which we have already initiated wherein we are setting up a dedicated facility for Volvo Eicher at Pithampur.

Viraj: Alright understood and another thing I wanted to ask is like how much is the sales per piece in all of these three parts like toys, automotive and EV?

Rishab Handa: Are you talking about a revenue breakup of these three different segments?

Viraj: I am saying about like sales per piece of items sold in all of the three.

Rishab Handa: That does not have any relevance in our business because for example in toys our ASP starts from Rs.300 and they go on to Rs.10 lakh as well because we do the outdoor play business as well so it is not a similar range of products that we manufacture. Similarly even in the automotive component space I mean the ASP start from 2500 and they go up to 12 to 15000.

Viraj: Alright. So is there any specific thing which I can track about this company like how do I see growth per piece or something like that?

Rishab Handa: I think you need to consider growth from an industry standpoint rather than a per piece standpoint. You need to be probably doing more research on the segment that we are in and how focused we are in that respective segment.



OK Play India Limited
April 25, 2023

- Viraj:** Alright and another thing in Q4 you have other expenses of 8 Crores so 8 Crores what are the major items?
- Rishab Handa:** These are list of expenses but largely these are some turnover discounts also that we offer to some of our OEMs.
- Viraj:** Alright it is fine.
- Moderator:** Thank you. The next question is from the line of Ritesh Shah from Investec Capital. Please go ahead.
- Ritesh Shah:** Thanks for the opportunity. Couple of questions. Sir how would you dissect the number of 300 Crores for different segments that is one and for each of the segments is it possible if you could bifurcate how one should look at the margin profile and the return ratio profile?
- Rishab Handa:** When I talk about our projections for FY2024 about 175 Crores are expected from the automotive space, about 100 Crores is expected from the toy space and the remaining 25 to 30 Crores is expected from the electric vehicle space. If I talk specifically about margins about 20 to 22% EBITDA is expected in the automotive space, about 24 to 25% is expected in the toy space and about 12 to 13% is expected in the electric vehicle space.
- Ritesh Shah:** Sure and from ROCE standpoint?
- Rishab Handa:** From a ROCE standpoint it is a little difficult for us to answer because today we also have certain facilities which are common for different businesses though we are also in the process of separating out these facilities so for example a machine, a rotational molding machine manufacturing a toy component as well as an auto component together at the same time so it is a little tricky to answer from ROCE perspective as of now.
- Ritesh Shah:** If I have to put it the other way round for the incremental capex what you indicated like 100 Crores probably whenever the PLI comes at about 15 to 20 Crores what is the incremental threshold ROCE that we look at if we had to commit any incremental capex?
- Rishab Handa:** In the automotive space when we are talking about 15 to 20 Crores investment we can expect a ROCE of 30 to 35% starting because in the automotive space this will be more of a conversion facility that we are setting up for Volvo Eicher. The basic investment that goes into research and development has already been done in this space. Talking about the toy space this is something which is going to be during over the next three to four years. We plan to invest 100 Crores in the next three years out of which 60% is the rebate that we would be getting back from the government as per the PLI scheme based on certain



OK Play India Limited
April 25, 2023

milestones that we attain. If you factor in those rebates then of course the ROCE will be very high.

Ritesh Shah: Is it possible for you to detail how we look at the commercial terms when we are into toys like is it something which is passed through if we are dealing with a global major do we invest in molds or they supply the molds how does the accounting work?

Rishab Handa: This varies from customer-to-customer. Now I will give you a small example. Like we do private labels for the Reliance group and Hamleys as well so they have paid us for the tools and it is basically their property sitting on our premises wherein we are doing contract manufacturing purely for them and obviously exclusively for them because they own the tools. Then there are some companies where we do private labels but we do not own the tools which are kind of amortized and those products we also sell to other companies wherein we change the colour, the packaging of the product and offer it to other customers as well because we as a company own those tools, so depends a lot on which customer you are dealing with, what kind of product segment you are dealing with and what is the kind of requirement that they have.

Ritesh Shah: The reason I asked this is I just wanted to understand whether is this a cross sell mechanism that we are looking at right so if we are dealing with Hamleys or some global major if we are supplying toys to them do we have a pass-through mechanism because I think in the initial remarks you did indicate that there was raw material pressure in first half of the year so how well protected we are when it comes to margin and ratios?

Rishab Handa: We primarily do try and work on cross sell basis for example our entire automotive business is on a cross sell basis but then there are certain hits that one has to take at times. It is nothing very substantial because it is something which is market driven. If the price goes up then it is not just for us it is for everyone but it is not entirely and purely on cross sell basis if I talk about the toy space.

Ritesh Shah: If I can just stretch if you permit I will ask a couple more if it is okay or I can get back in the queue?

Rishab Handa: Please go ahead.

Ritesh Shah: I just wanted to understand you did indicate exports and I was just referring to the prior transcript wherein we even export to China so what is the mode like is it the label cost or is it the capex intensity or is it the freight what benefits Indian toy manufacturers to tick the box when it comes to exports?



OK Play India Limited
April 25, 2023

Rishab Handa: I will put it this way. Now India especially in terms of cost and especially if I refer to labor cost is very competitive compared to China. The advantage that China has today is that they are being compensated a huge amount of subsidies by the government and hence they are today also way ahead of us in terms of toy exports but this is something which is changing and the PLI coming up would be a game changer for companies like us wherein probably we will be able to offer anywhere from 8.5 to 9.5% subsidies or I would say reduction in prices to our customers as well this is one. Second if I am talking about the company that we have got into a partnership with this company earlier had a similar facility in China. Now this company is very similar to our company in the sense that we do a very similar kind of product portfolio so these are voluminous products, they are rotational molded products and because they are voluminous they are not freight friendly so they earlier had a facility a contract manufacturing in China but like how India is moving away I feel that a lot of other global giants too are kind of derisking themselves and hence they decided to chose another country in India and we have been the frontrunners in rotational molding they have chosen us here to supply to this part of the world.

Ritesh Shah: This helps and two more questions and how many companies would potentially apply for the PLI scheme from the government what I am trying to gauge is the competitive intensity in the space like other many players who can deploy like 100 Crores?

Rishab Handa: We have by intent drafted the PLI scheme in a way where it kind of benefits and invites a lot of companies so even though the details are not out but what I can mention to you is that there are four slabs starting from 5 Crores to 25 Crores to 100 Crores and 200 Crores slab so it is not that a company, you are absolutely right they are very few companies today in India especially in the toy space who can probably invest upwards of 100 Crores but I am sure there are lot of companies who would be willing to apply for the 5 Crores slab so the government has made the PLI scheme in a manner that is very friendly to all companies of different sizes.

Ritesh Shah: This is helpful and lastly you did indicate large market size, unorganized is pretty huge. I would presume imports will also be a big variable is there anything on BIS standards, quality check government is actually implementing which will help a shift from unorganized to organized over the next five to 10 years?

Rishab Handa: So like I said the government has already launched and already implemented this so there has been very strict checks going on at the ports as well. There was recently a news where even 15 to 18,000 plus different SKUs were seized from a retailer like Hamleys because they were not carrying out the BIS marks on the toys so there has been very strict measures



OK Play India Limited
April 25, 2023

being taken by the government and this can also be seen in terms of numbers wherein FY2023 India has become a net exporter of toys rather than always being a net importer.

Ritesh Shah: Sure this was very helpful. I will join back in the queue. Thank you so much. Wish you good luck.

Moderator: Thank you. The next question is from the line of Deepak Poddar from Sapphire Capital. Please go ahead.

Deepak Poddar: Thank you very much Sir for the opportunity. First of all I wanted to understand you did mention right for the next three to four years we are looking at maybe 80 to 100% kind of a growth on the topline basis?

Rishab Handa: Yes that I mentioned for the toy space.

Deepak Poddar: That is only for the toy space right?

Rishab Handa: That is right.

Deepak Poddar: On the overall basis?

Rishab Handa: On the automotive component space you can expect 12 to 15% growth and on the EV space you can probably expect a higher than 100% growth.

Deepak Poddar: Understood so that is a CAGR we might look at over the next three to four years?

Rishab Handa: Yes.

Deepak Poddar: Understood and how do you see the margin trajectory. If I have to see three to four years down the line what sort of margins do you see would be a steady state margin for our kind of business on overall basis?

Rishab Handa: Compared to the entire blend and the businesses that we are in we can assume 18 to 20% EBITDA on the conservative level.

Deepak Poddar: 18 to 20% right?

Rishab Handa: That is right.



OK Play India Limited
April 25, 2023

Deepak Poddar: The PLI scheme investment is about 100 Crores that we are looking at over next two to three years?

Rishab Handa: Yes.

Deepak Poddar: Do we have any kind of sense what sort of revenue that can accrue from those schemes over the next two to three years?

Rishab Handa: Like I said even today we are investing through internal accruals plus we are also in the process of raising some funding for the toy business. We are anyways expecting 80 to 100% growth on a conservative level. We are in talks with a few companies which are some of the largest retailers in the world and if they are able to crack that business then the growth will be exponential.

Deepak Poddar: Understood and my final question is on your EV space, is there any plan to separate that business in a separate subsidiary to demerge it or any kind of fund raising?

Rishab Handa: We have already separated that so we have a subsidiary called RIRA electric vehicles which now houses the electric vehicle business we had done this in March of 2023.

Deepak Poddar: What sort of fund-raising plan we have in that segment?

Rishab Handa: In the EV space we are not looking at raising funds as of now, we have already invested a substantial amount of funding into this space. We have also been funded by HPCL which is Hindustan Petroleum in the EV business through one of our subsidiaries. We are today sitting at a position where we have already have a portfolio of products ready with us and what we are focusing on at the moment is developing our sales and marketing channel and by the sales I largely meant the dealer network to expand and grow this business.

Deepak Poddar: Understood. That is it from my side. All the very best Sir. Thank you so much.

Moderator: Thank you. The next question is from the line of Tanuj from Ventura Securities. Please go ahead.

Tanuj: Hello good afternoon. I just wanted to understand the productivity and the utilization level of the plant and what sort of exports potential that we see in the next four to five years?

Rishab Handa: If I talk about the utilization today we have two plants one is in north in Haryana which currently would be sitting at a capacity of about 18 to 25% then we have another facility in south which is in Ranipet in Tamil Nadu which would be at a capacity of about 70 to 75%



OK Play India Limited
April 25, 2023

but we have ample space in terms of land to further expand our lines of businesses both in north as well as the south so our growth plans going forward would not be kind of compromised in terms of setting up another facility. Though in the automotive space yes we have to be close to the customer so like I mentioned previously we are in the process of setting up a plant at Pithampur for Volvo Eicher and we would also in the next one to one-and-a-half years setting up another facility for Tata either at Jamshedpur or at Pune.

Tanuj: Regarding the export potential that we see in the next four to five years?

Rishab Handa: I believe you are asking with respect to the toy business so in that the export potential is humungous. Today India contributes less than 0.5% of the entire toy global market and keeping in mind that India is one of the largest countries in terms of having the largest youngest population plus with the government support coming in and lot of big retailers such as Walmart, E-Mart and other big companies looking at India as a positive source of manufacturing. We are pretty well positioned to become a toy manufacturing hub in the next five to 10 years to come in.

Tanuj: Do we have any advanced technology on our rotatory molding?

Rishab Handa: It is rotational molding and that is what we have been in since inception so when we had started with toys there were lot of our toys are rotational molded. All our fuel tanks are rotational molded and this is where today our expertise lie in as a company. We are today known as one of the premium rotational molders not just in India but across the world.

Tanuj: Thank you. That answers all my questions.

Moderator: Thank you. The next question is from the line of Kunal Mehta from Equirus Wealth. Please go ahead.

Kunal Mehta: Hi thanks for the opportunity. I have a few questions. Can you tell me about there is something more on the working capital cycle for both the business automotive as well as toys?

Rishab Handa: The automotive business is usually the working capital cycle and days is about 45 to 50 days and in the toy space it is about 30 to 35 days.

Kunal Mehta: One more thing I picked up was you spoke about setting up a dedicated facility for Tata at Pune or Jamshedpur this is for Tata Motors passenger vehicle or CV or what is it about?



OK Play India Limited
April 25, 2023

- Rishab Handa:** No, in the automotive component space we are largely in the M&HCV space in the medium and heavy commercial vehicle space so the fuel tanks that we do which are rotational molded are not for the passenger vehicles it is only for the commercial vehicle segment.
- Kunal Mehta:** Thanks a lot.
- Moderator:** Thank you. The next question is from the line of Ranodeep Sen an individual investor. Please go ahead.
- Ranodeep Sen:** Yes thank you for the opportunity. My question is with respect to the figurine toy industry which is very big globally and especially in the adult space you have F1 racing collectibles, FIFA collectibles which are big globally so do we aspire to enter that space and a connected question to that was there is the concept of mystery box very popular globally where you have the box which has multiple collectibles and you do not know what is in it right so are we aspiring to enter those space in the toy making as well?
- Rishab Handa:** Mr. Sen I will put it this way that in the toy space there are a lot of categories within the toy space for example now there are plush toys, there are soft toys, there are plastic molded toys, there are injection molded toys, there are wooden toys and then there are these diecast cars, etc., that I think you are referring to so there are different categories. What we are primarily into is the plastic space which kind of has a majority in the toy space so we do rotational molded toys, we do blow molded toys as well as injection molded toys so what I mean by this is that for example if I talk about rotational molded toys we do slides, rockers, and seesaws all of that. Coming onto the blow molded space we will do ride-ons like a wide variety of ride-ons and other multipurpose products and of course then coming on to the injection molded space where we can do a lot of different products because that is all restricted to the kind of tools that you produce so it is largely being in the plastic product space where we do battery as well as non-battery products and of course any kind of toy that we can manufacture through that process.
- Ranodeep Sen:** Fair enough. Can you throw some light in sense of plan for OK Play India when it comes to the toy clusters that are expected to come up across India especially where are we setting up those plants and what kind of scale are we imagining?
- Rishab Handa:** As we speak now there are clusters being set up in multiple states. For example there is one which is already active in the South next to Bengaluru. Then there is another one which is coming up in Noida so we are still in the phase of deciding where to set up the next plant because this has to be keeping in mind our plans for the export market it has to be logistically efficient from that perspective as well. As of now like I mentioned we do have



OK Play India Limited
April 25, 2023

ample space in terms of land available at our existing facility in the South where we have about 20 acres plus of land and which is about half an hour away from the port hence making it very export friendly as well so it is not a certain that we would be setting up a plant in one of these clusters coming in but yes down the line that is definitely a possibility.

Ranodeep Sen: Fair enough. My next question is I think you mentioned in the last call that we are now going to be aggressively going towards B2C and if I have to think of a global counterpart LEGO is obviously the name that comes in like LEGO had a fan following globally and they have built a brand with various initiatives right so if we aspire to be the LEGO of India can you share some thoughts about brand building exercises of OK Play India?

Rishab Handa: I will put it this way that our strategy is not just one-fold wherein we are just going to be a doing a brand building exercise. Of course we have developed a very renowned and trustworthy brand over these past 25 years, especially in the institutional space. Today for example there is no school or preschool in India which would not carry our range of products despite being a slightly more expensive brand compared to its peers because of the quality of products that we do but a lot of demand in the toys space will come up from doing private labels this is where the volume of the business lies. So it is companies like us or for example other companies who are doing or manufacturing products in other brands or in licensing brands so for example if we have a license of Disney or Peppa Pig or any other character then we could definitely do products in that and source it to the private labels or families or First Cry or in the export market like I mentioned Kmart via Anko so this is where the majority of business in terms of numbers would clock in and then of course whatever that we have been doing on the brand building space is something that we will keep continuing and building up that as well.

Ranodeep Sen: Sure. Thank you so much. This is helpful and appreciate having this call. Wishing you all the best. Thank you.

Moderator: Thank you. The next question is from the line of Aman Vishwakarma from Robocapital.in. Please go ahead.

Aman Vishwakarma: Yes the business seems promising. I just had one question which is on the debt front so how do you see the debt evolving over the time so do you have any plans of paying the debt down with the years of are we going to see a lot of debt piling up with expansion plans and stuff?

Rishab Handa: No I do not think that we will be taking the debt routes. If you have gone through our numbers year-on-year you must have seen that our debt has also come down significantly



OK Play India Limited
April 25, 2023

and we have recently raised about Rs.75 Crores via preferential issue so we would be raising money as and when required and whichever instrument makes sense to us at that time keeping in mind the business as well as the growth aspects we would be going ahead with that but as of now and I think going in future we are pretty comfortable in terms of repaying our liabilities.

Aman Vishwakarma: Fair enough. That is all from mine. Thank you.

Moderator: Thank you. The next question is from the line of Bhavik Waghela from ULJK Financial Services Private Limited. Please go ahead.

Bhavik Waghela: Sir can you just throw some light towards automobile space that you are just manufacturing the diesel tank by yourself or you just molding them?

Rishab Handa: So we work very closely with OEMs in terms of design and applications and we manufacture the complete product so we are first year suppliers to OEMs so we sell directly to say Ashok Leyland or Volvo Eicher in terms of the plastic fuel tanks.

Bhavik Waghela: Just coming to the battery space previously you said that your battery production faced some issues so we have just recalled and stopped the e-rickshaw so how is that going right now?

Rishab Handa: We are not in the battery space. What I had mentioned before was that time the electric vehicle market in India was at a very nascent stage and there were very few companies even bigger companies such as Exide or JP Minda who have developed an application for the e-rickshaw in specific; however, from that time to now there has been a lot of development on the battery space as well both by conventional companies as well as by a lot of startups coming in play so the technology in general has improved. There are lead acid batteries being offered, there are lithium-ion batteries being offered, and there are other specific different types of batteries being offered today both on the fixed version as well as the swappable version so we are working with multiple battery operators so we are very confident that today in terms of the battery or the issue that we had faced four- or five-years prior would not come in again.

Bhavik Waghela: Any plans for manufacturing battery by yourself?

Rishab Handa: That is not our forte but as of now we do not intend to get into that.

Bhavik Waghela: That is all from my side. All the best Sir.



OK Play India Limited
April 25, 2023

Moderator: Thank you. The next question is from the line of Sunil from Nirmal Bang Securities Private Limited. Please go ahead.

Sunil: Thank you for taking my question. Sir my question is related to whatever the investment you are planning to do generally with that investment how much revenue you can generate like you had said that you are planning to do investment in auto segment and then also in the Rs.15 Crores Rs.20 Crores you are planning in auto segment and then PLI you want to invest around Rs.100 Crores, with this Rs.100 Crores investment how much revenue you can generate?

Rishab Handa: So on a stabilized level you can expect a 5x return on the investment.

Sunil: Okay but I if I see your past gross block I do not have of FY2023 but 2022 the gross block was over Rs.200 Crores and you are talking about capacity utilization of somewhere 65% to 70% so is there anything which is nonproductive assets which is there in the gross block?

Rishab Handa: Yes there may be some amount of machinery for the electric vehicle space which of course would be productive in the years to come but not necessarily as such and I think one would need to consider the net block here rather than the gross block because the company has been in different lines of businesses since over 30 years so there are assets being depreciated as well.

Sunil: So this investment in toy business which you are talking about that will be there in the near term or once the PLI scheme announced and then only you will be investing in that?

Rishab Handa: We would be doing it when the PLI scheme is announced which is as we speak today setting for final approval from the ministry so it should come in any time.

Sunil: You talked about a few things like you got supplier in India supply to Middle East so can you talk about customer concentration like top customer how much revenue contribution in toy or top three customer how much it is?

Rishab Handa: I would not like to disclose customer wise numbers on this call but like I have mentioned that we have some top customers the names of which I have already mentioned. It would not be right on our part to disclose numbers in terms of customer wise breakups.

Sunil: No I do not want name vice customer only thing our dependent on one, two, three or maybe.



*OK Play India Limited
April 25, 2023*

- Rishab Handa:** We are dependent on multiple customers we are not dependent on any one customer not any one customer has a majority of business with us though we do have X number of large customers who do contribute a major amount of business.
- Sunil:** If I put the question in another way round like top customer is contributing less than 25% of your revenue?
- Rishab Handa:** The top customer today would be contributing not more than 15% to 18%.
- Sunil:** That was only I was looking the dependence on single customer is not so big?
- Rishab Handa:** Yes.
- Sunil:** In your business any order book which runs like you get an order for next three months to six months?
- Rishab Handa:** So we get a schedule in terms of the upcoming season and we are awarded POs accordingly but there is no order book which is given to us say for the entire year. It depends upon the PO and then subsequently depends upon the performance of that respective PO.
- Sunil:** Domestic and export markets seasonality will be different like?
- Rishab Handa:** They are two different markets altogether.
- Sunil:** So Q2 will be for international marketing and Q3 and Q4 domestically am I correct?
- Rishab Handa:** It is not quarter wise segmented. For example, the institutional market in India starts from December goes on till July but the retail market is always there and it is at a boom during the New Year or prior to New Year during the Christmas time. Similarly in the export market they order season wise so there are two seasons for a particular customer or three seasons per year for a particular customer so it is all year around market. It depends on what kind of a product and which customer you are dealing with.
- Sunil:** Any specific quarter it can influence the seasonality or no?
- Rishab Handa:** Keeping in mind that we are now getting into a blend of different products and a blend of different revenue streams I do not think that there should be any kind of a seasonality coming up.
- Sunil:** This auto segment how many products are there one is this fuel tank any other product?



OK Play India Limited
April 25, 2023

- Rishab Handa:** Yes so apart from fuel tanks we do a lot of other plastic products as well. We do JCB roofs, we do windmill covers, we do consoles, rear consoles, front consoles, inner cabin parts, and there are multiple other parts.
- Sunil:** Fine. Great I will come back in the queue. Thank you very much.
- Moderator:** Thank you. Punit may I request you to unmute your line from your side and go ahead with your question please.
- Punit:** Sir you mentioned about the 100 Crores investment that you will make in the coming two to three years so how would this be funded; would this be funded by a long-term debt?
- Rishab Handa:** That is something that we are finalizing as of now. It would be a mix of debt and equity coming in.
- Punit:** Alright and the investments will be made in the next two to three years so you mentioned that we can expect five time returns from this so when can we expect that to be in place within the next three years or five years?
- Rishab Handa:** Like I mentioned that is something that we have already started as of now. We are already investing a certain amount through internal accruals into this space and hence seeing the growth a very positive growth percentage as well coming up in this space. Obviously with the PLI scheme coming in there are certain rebates and certain measures that have been set up wherein about like I mentioned about 60% to 62% of our investment is something that we get back in terms of incentives or subsidies based on certain milestones that we attain.
- Punit:** Alright. In terms of the internal deadline that we have about during the five times the investment that we are making so can we expect that during the next four years or five years?
- Rishab Handa:** Yes absolutely so this investment of Rs.100 Crores is not going to be a onetime thing it is going to be over the two to three years and suitably depending upon the amount of capex being invested the returns would be coming in which should be visible from the day that we make the investment itself.
- Punit:** Alright perfect. That is all from my side. Thank you and all the best.
- Moderator:** Thank you. The next question is from the line of Suhrid Deorah from Paladin Capital Management LLP. Please go ahead.



OK Play India Limited
April 25, 2023

Suhrid Deorah: Hi good afternoon two questions. One is you are talking about going from about Rs.170 Crores to Rs.180 Crores this year and the next year are you seeing with the contracts that you have are going to start firing in a few quarters from now because your growth in this particular quarter versus your last year is about 25% to 30%?

Rishab Handa: You see our growth has been coming up in different business segments this year for example last Q4 of FY2023 we had a topline of about Rs.53 Crores. Going forward I have already mentioned this split also that we are expecting business segment wise and how we would comprise of the Rs.300 Crores number. Obviously, we are not keeping in mind the current quarter as well. We are pretty much in line to attain our target though majority chunk of business is expected in Q3 and Q4.

Suhrid Deorah: So since this seasonality tilts towards the second half of the year so a lot of the numbers?

Rishab Handa: It is not about seasonality so if I talk about the toys business I had mentioned that we have ink packs with certain large customers which and when you deal with these kind of customers there is a certain onboarding process, there is a certain time for a vendor to get onboarded onto their systems, there are certain validations, audits, etc., that are required so those things take time and once commercialized then the numbers start showing so hence I mentioned that our numbers would rise up in Q3 and Q4 though as we speak today we are growing month-on-month anyways.

Suhrid Deorah: I have one follow up question to something that was asked earlier on the funding side you have raised Rs.3 Crores through this Preferential Allotment in addition to this do you see any requirements for further equity raising?

Rishab Handa: Like I mentioned that the PLI scheme coming in where there are certain rebates, etc., being offered we are yet to finalize but we would do it through debt and equity both. Nothing is finalized as of now but I think it all depends on where the company is at that respective stage and what is the money being raised for.

Suhrid Deorah: Thank you.

Moderator: Thank you. The next followup question is from the line of Garvit Goyal from Nvest Research. Please go ahead.

Garvit Goyal: My questions have already been answered so nothing for now. Thank you.

Moderator: Thank you. The next question is from the line of Ritesh Shah from Investec Capital. Please go ahead.



OK Play India Limited
April 25, 2023

Ritesh Shah: Thanks for the followup. A couple of questions. The first is when we say PLI it is on toys what does it mean does it also take care of the components I would understand there would be a lot of electronic components also so how does that work and second is I would presume that the GST rates I am not very sure are there differentials over there and how should we understand the math over here?

Rishab Handa: What I can disclose is the PLI scheme has four slabs coming in. It would start from Rs.5 Crores investment going till Rs.200 Crores and the percentage of rebate for each slab varies starting 5 to 25 to 100 to 200 and this rebate also varies depending upon certain milestones and the eligibility of each company in terms of say a certain topline, a certain bottomline as well as a certain capex, etc., that they are willing to put in, so it depends. There are certain clauses to it but there are substantial amount of rebates that are being generated for each slab that a particular company would be investing in.

Ritesh Shah: I appreciate that. My question is when we say PLI it has to be on a certain percentage of value addition right so I understand there is a big labor component over here where India really stands out well there will be probably assembly part, there is injection molding obviously which is co towards workers so when we say PLI on a particular value what is the value addition part that we are looking at?

Rishab Handa: For example if we as a company are investing in Rs.100 Crores lab there are certain revenue targets subject to certain multiple criteria for example the employment generation being one and other factors that would lead us to these rebates so it is not any one factor or it is not just linked to a certain production in terms of numbers.

Ritesh Shah: If I just rephrase the question as if the input materials the input can be Chinese and we still assemble over here so?

Rishab Handa: I understand your question. The PLI today is not being offered just on the component it is being offered on the entire product which classifies it as a toy.

Ritesh Shah: So would it mean that we will also get into the components which could be electronics how should we look at it or we are sticking only with polymers basically rotational molding and injection molding what you indicated on the call?

Rishab Handa: Absolutely so for example so this is another reason why the government is coming up with multiple toy clusters because there would be different companies doing all sort of products and all sort of different components and eventually assembling it and selling it out but the PLI today is not being offered just for example on a company who is manufacturing the



OK Play India Limited
April 25, 2023

electrical component rather being offered on the company who would be assembling and selling this as a product which should be termed as a toy.

Ritesh Shah: Sure that is helpful. I have two more questions one is broad base you indicated FY2024 broad numbers on auto, toys and EV if I had to fast forward say five years or so seven years out how would you visualize the segmentation like would you wish for toys to be like 50% to 70% of the business, what is the thought process or the current mix that we see, is it more a focus to sweat the assets that is not how we look at it, I am just trying to understand the thought process?

Rishab Handa: We are bullish on all different business segments and internally also the management is focusing on different business segments. There are different management personnel focusing on different business segments but yes we are most bullish on the toy space as we speak today. This is keeping in mind that many advantages and the developments that I have mentioned previously during my call and keeping in mind our growth rate and keeping in mind the customers today that we are dealing with or getting into a relationship with we should be expecting a substantial amount of growth and of course the majority amount of share coming in from this business.

Ritesh Shah: Sure this is helpful. I think we did not touch up on two parts on the call one is I do not know whether you can lay out how many SKUs that we have in toys, is that a right question to look at realization per SKU and is there some method in which you are looking to increase this realization per SKU that is one and second is on the distribution side how many distributors, retailers, and touch points that we have and is there a broad bifurcation of say Rs.120 Crores how much would be through our own channel and how much would be say direct B2B those are two product questions? Thank you so much.

Rishab Handa: So to address your first question like I mentioned now when I say toys we are into toys which has average selling price ranging from Rs.300 to Rs.400 going up to Rs.5 lakhs or Rs.7 lakhs wherein we do the large outdoor play equipment. You must have seen these big play equipment installed in builders or bigger schools so we do not really see this business as a realization per unit because of the fact that the price per unit varies a lot though within the toy segment we can sub classify it into three categories one being toys, second being preschool furniture that we do and the third being outdoor play equipments and then you could probably evaluate it with respect to this methodology that you just mentioned. Coming on to your second part of the question we initially have been an institutional oriented brand and now focusing and our major growth coming in from different segments, the retail segment being one, the export market being the second and the online market being the third. Going down the line in terms of numbers or volume what we expect a large



OK Play India Limited
April 25, 2023

number of the major part of business coming in from would be by contract manufacturing for the bigger giants such as say doing it for Kmart or doing it for Little Tikes or doing it for Hamleys for that matter and of course at the same time parallely building your brand as well so there are both strategies that are being adopted.

Ritesh Shah: Sure this is very, very helpful. Thank you so much.

Moderator: Thank you. The next question is from the line of Mohan Chand an Individual Investor. Please go ahead.

Mohan Chand: Thanks for giving me this opportunity. I have a couple of questions. In the recent investor presentation which was released for this quarter earnings there was a specific mention that there is a strategic tie-up happening with HPCL and with the specific remarks that the HPCL has been invested in one of the OK Play group companies so would it be possible for you to clarify what kind of investment is it and what exactly is this strategy partnership?

Rishab Handa: We have been working with HPCL since a long time now and we have basically developed a customized three-wheeler for them for transportation of their LPG gas cylinders so if I tell you a little bit about HPCL they today have about 7500 distributors who transport these cylinders to households as well as commercial places and each distributor has about 10 to 12 of these electric three wheelers which are being used today for their business so it is a captive opportunity about 45000 to 50000 three wheelers which over a period of time HPCL intends to convert to electric. Today these are largely IC engine vehicles being say Piaggio loaders or Bajaj Maxima and the vehicles that we have developed for them is a replica of these vehicles but on the electric powertrain so hence the running cost comes down and from a TCO perspective which is the total cost of ownership perspective it makes the better value proposition for the end customer here by customer I mean the distributor of HPCL so for this they had invested an amount of about Rs.1 Crore into our company which was just as a reassurance for us to be their mobility partners in this strategy or goal of theirs to convert that fleet to electric so this is what we have been working with them since the past two to three years now and down the line intend to sell these electric vehicles or lease out these electric vehicles to the HPCL dealers.

Mohan Chand: Is this investment in the form of equity investment in one of the group companies?

Rishab Handa: This is in a subsidiary called RMRS Electricals.

Mohan Chand: You also mentioned that in the first phase we would be deploying some 1000 vehicles across daily Delhi NCR so do we have some binding agreement or contract with them and



OK Play India Limited
April 25, 2023

what is the overall quantity we are looking at you have mentioned about 80,000 plus opportunity size but do we have something some MoU or something in place or it is a estimation that we are doing?

Rishab Handa: These distributors they are HPCL distributors but they are not bound by the company for that matter any distributor is not bound by the company to in one way just take the vehicle that is being suggested so HPCL is more of a facilitator is how I see it. We work with HPCL to do the marketing of the product together and eventually would generate the sales out so between HPCL, us and the third party which is a battery swapping operator we have signed a MoU wherein we plan to deploy 1000 of these. Now whether we deploy 1000 or 2000 or 500 that remains to be seen but we plan to deploy 5000 in Delhi NCR as a pilot case and for the growth of this business.

Mohan Chand: Okay but it would be optional to the distributor?

Rishab Handa: Absolutely.

Mohan Chand: Sure and one more thing Sir what I understand now broadly we have this EV segment in place and then auto segment in place and the toy segment but unfortunately we do not have this segment wise revenue and profit breakup would it not be great if we start disclosing these segment numbers?

Rishab Handa: We will definitely do that as well. I will take it up internally.

Mohan Chand: Any numbers do we have handy in terms of what would be the broad revenue?

Rishab Handa: I have already mentioned the revenue breakup in my call but as far as the profitability is concerned I will have to get back to you on that.

Mohan Chand: Sure and one more thing Sir on the toy side again in this presentation and you also mentioned in your last call as well this strategy partnership with the global company MGA Entertainment so what kind of partnership is it, is it only contract manufacturing or we are also working as a distributor for them and then exporting to the rest of the country so could you just elaborate what exactly this partnership is with MGA Entertainment?

Rishab Handa: This is a contract manufacturing play. We would not want to work as a distributor because like I mentioned that the products that we do are very voluminous and it is not fleet friendly hence there is a substantial amount of cost coming in. Secondly the import duties in India are very high on toys so the landed cost goes up tremendously hence we have chosen to be in fact they have chosen us to be their contract manufacturers in India and supply to the



OK Play India Limited
April 25, 2023

Indian market, the Middle East market, the Australia market and the Chinese market so the reason of doing this is number one of course the manufacturing cost comes around tremendously, the commissions that we as a company make on the product is much less compared to what it would anyways cost them to deliver the product to the respective countries so that is the whole idea of getting into this relationship.

Mohan Chand: What is the duration of this contract?

Rishab Handa: There is no fixed timeline. It depends entirely on the performance and we have already commercialized one SKU which we started selling in India through Hamleys and we are in the process of commercializing several other SKUs as we speak and it depends entirely on the performance of a particular product as well as of course the company.

Mohan Chand: Basically in this quarter we have noticed that there is a deferred tax liability which is basically approximately around Rs.4 Crores and there is no provisioning there in earlier quarters?

Rishab Handa: This is as per the income tax rules. These had certain accumulated losses in the past few years hence we are not liable to pay tax up to that amount but however following those income tax rules you have to portray it in a certain manner. The current tax liability in actual is negligible so this is a deferred tax liability that is being shown on the balance sheet.

Mohan Chand: Sure that is it from my side Sir. Thanks a lot. Thanks a lot for giving the opportunity Sir.

Moderator: Thank you. As there are no further questions I will now hand the conference to Ms. Supriya Madye for closing comments.

Supriya Madye: Thank you RishabhJi for being on the call and dialed investors and thank you all the participants for being on the call. On behalf of Kirin Advisors Private Limited that ends the call. Thank you very much.

Moderator: Thank you very much. On behalf of Kirin Advisors that concludes this conference. Thank you for joining us. You may now disconnect your lines.