



Ref: OKP/St-Ex/2024-25/127

Dated: 22nd November, 2024

BSE Limited,
Phiroze Jeejeebhoy Towers, Dalal Street,
Mumbai – 400001.

SCRIP CODE: 526415

Sub: Analyst/Investor Call Transcript for the Quarter ended 30.09.2024

Scrip Name: OK Play India Limited

Dear Sir/Ma'am,

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 half year ended on 30th September, 2024 held on 19th November, 2024.

Kindly take the same on your record.

Thanking You,

Yours faithfully,

FOR OK PLAY INDIA LIMITED

Company Secretary

OK PLAY INDIA LIMITED

Corporate office :124,New Manglapuri,Mehrauli,New Delhi-110030 **Tel** :+91 11 46190000 **Fax** : +91 11 190090
Registered Office & Works : Plot No 17 & 18 ,Roz-Ka-Meo Industrial Estate,Tehsil Nuh, District Mewat,Haryana-122103
Tel.: +91 124 2362335-36 **Fax** : +91 124 2362326 **CIN** – L28219HR1988PLC030347
Website : www.okplay.in **Email** : info@okplay.in

OK Play India Ltd
Q2 and H1 FY25 Earnings Conference Call
November 19, 2024

Moderator: Ladies and gentlemen, good day and welcome to the OK Play India Limited's Q2 and H1FY25 earnings conference call. As a reminder, all participant line will be in listen only mode and there will be an opportunity for you to ask question after the presentation conclude. Should you need assistance during the conference call, please signal an operator by pressing '*', then '0' on your touch tone phone. Please note that this conference is being recorded.

I now hand the conference over to Miss Purvangi from Valorem Advisors. Thank you and over to you, ma'am.

Purvangi Jain: Good afternoon, everyone and warm welcome to you all. My name is Purvangi Jain from Valorem Advisors. We represent the Investor Relations of OK Play India Limited. On behalf of the company, I would like to thank you all for participating in the company's earnings call for the second quarter and first half of the financial year 2025.

Before we begin a precautionary statement. Some of the statements made in today's earnings conference call may be forward-looking in nature. Such forward-looking statements are subject to risk and uncertainties, which could cause actual results to differ from those anticipated. Such statements are based on management's beliefs as well as assumptions made by an information currently available to the management. Audiences are cautioned not to place any undue reliance on these forward-looking statements in making any investment decision. The purpose of today's conference call is purely to educate and bring awareness about the complete fundamental business and financial quarter under review.

Now I'd like to introduce you to the management participating with us in today's earnings call and hand it over to them for their opening remarks. We have with us, Mr. Rishab Handa - Executive Director and CFO. Without any delay, I request Mr. Rishab to give his opening remarks. Thank you and over to you, Sir.

Rishab Handa: Thank you, Purvangi. Good afternoon, everyone. This is Rishab Handa - Director and CFO at OK Play India. I would like to thank you all for joining us today. Before we delve into our second quarter performance, allow me to provide a brief overview of the company for those who may be new to our business.

OK Play India is a leader in the plastic molded product industry with over 30 years of unmatched expertise. We specialize in the manufacturing of high-quality toys and automotive components. Our state-of-the-art manufacturing facilities are strategically located across Haryana, Tamil Nadu and Rajasthan. We employ advanced technologies, including rotational molding, blow molding and injection molding to ensure that we meet the highest industry standards. For Q2 of FY25, we recorded a sales of approximately 38 crores, reflecting a slight decrease of about 5% compared to the same quarter last year. Turning to our automotive component division, we continue to serve the commercial vehicle market which has seen some underperformance relative to last year. In quarter two, our auto business declined by approximately 13% quarter on quarter. However, we remain optimistic about the outlook for the upcoming quarters and are confident that we will close the year with results similar to FY24.

Additionally, as mentioned in the previous call, we are seeing a positive contribution from our new partnerships outside the automotive sector. We are now manufacturing rotational and blow molded components for leading companies such as Vestas and Indo Cool. We're also exploring entry into the passenger vehicle market, initially focusing on vacuum foam parts and low molded fuel tanks. However, these new business contributions will primarily reflect in our results starting in FY26.

On the toys front, we remain highly optimistic about the long-term growth potential of this segment. For Q2 of FY25, our toy business has grown by approximately 15% quarter on quarter, demonstrating solid momentum. The Indian toy industry as a whole has experienced significant growth, with toy exports

increasing by 239% in FY23 compared to FY15. The sector has been identified as a champion sector with strong export potential and is projected to reach 3 billion by 2028, growing at a CAGR of 12% from 2022 to 2028. Domestically, the growth of the Indian toy market is being driven by two key factors, one the increase in import duties from 20% to 70% in the 23-union budget, which is expected to boost local manufacturing and #2 the implementation of the tall quality control QCO in 2021, which has improved product standards and reduced the influx of substandard imports, particularly from China.

As we mentioned in our last earnings call, our expansion plans and the toy segment are progressing as expected. We are on track to have our upgraded facility in Sohna, Haryana fully operational by the end of December 2024. This facility will have a production capacity of approximately 30 tons per day and we're confident that this will help us achieve a 4X growth in our monthly production rate in the final quarter of this financial year. We continue to build strong relationships with key clients such as Amazon, Hamleys and First Cry and our robust order book supports an optimistic growth outlook for the toys business.

Looking ahead, we are excited to move forward with phase two of our expansion plan under our toys business. This phase will involve the production of injection molded toys, including battery operated cars and role play toys. We are working closely with in West India to identify a suitable location for our new manufacturing plant and we expect to begin this project in the second-half of FY26. The estimated investment for this phase is about 100 crores and we plan to leverage the benefits of the production linked incentive, the PLI scheme, once it is announced, which will provide us with capital subsidies and rebates.

In summary, we are pleased with the progress we have made across our key business segments. While there have been some short-term challenges in the automotive space, our toys business is on a strong growth trajectory and our strategic expansion plans are progressing as planned. We remain committed to creating value for our shareholders and we are excited about the opportunities that lie ahead. With that, I would like to open the floor to any question from our investors. Thank you.

Moderator: Thank you very much. The first question is from the line of Vansh Jain, who is an individual investor. Please go ahead.

Vansh Jain: Yeah, Sir. Like, can you tell us how your toys and auto segment has grown in Q2 and also how are the margins across both these segments?

Rishab Handa: Ok, so like I mentioned right now, the toys business has grown by about 15%. However, there has been a decline of about 13% quarter on quarter in the automotive business. The margins are somewhat similar in both the businesses and like you know, if you've seen the results for this quarter, we are back to normal course of margins. So, we are working at about a 20 to 22% EBITDA across the two business domains.

Vansh Jain: OK. Thank you so much, Sir. And Sir, second question would be what is the growth outlook for the second-half of FY25?

Rishab Handa: So, the second-half of FY25 looks good, but the major focus or the major growth coming in Q4, Q3 you know I personally feel would be somewhat similar and Q4 is where we're expecting the major growth coming in with our expansion plans being in place.

Vansh Jain: And Sir, lastly like can you give us update on your CapEx projects?

Rishab Handa: So as of now, a substantial part of our capital investment has already been done and the remaining is ongoing as we speak today, which would be completed by end of December this year.

Vansh Jain: OK. Thank you. Thank you so much. That's it from my side.

Moderator: Thank you. The next question is from the line of Tarun Kumar from Midas Touch Capital Advisor. Please go ahead.

Tarun Kumar: Good afternoon, Sir. Thank you for giving an opportunity. My first question would be regarding the second phase of expansion, which you just mentioned and around the 100 crores Capex around 2026 fourth quarter. Could you please give some more details regarding why is this tension different from the one which you're completing in December 24.

Rishab Handa: Yeah. So, see, our plan, our expansion plan in the toy business, we have divided into two phases as of now. First phase is the expansion of rotational and blow molded toys, which is already much, which is pretty much in place. And by end of December, we would have that capacity installed. The second phase of expansion would be us getting into injection mold at all. So even today we do some what of injection molding, but these are largely components that kind of service the rotational blow molded toys. So, the second phase of expansion, which would be a different plant coming up altogether and with the PLI scheme hopefully coming up by then, we would be looking at expanding into injection molded which is largely the battery-operated cars, role play toys, other small injection molded toys.

Tarun Kumar: OK, Sir, could you kindly clarify that in the previous conference call, you did mention that your previous expansion that is which is going to completed in December 24 also qualifies for PLI scheme and the new expansion, which you are also contemplating, will also qualify separately for that. And where do you plan to source your Capex from? The Central Coast apex in the second phase of expansion? What are your plans regarding Capex and how are you sourcing it? Could you kindly clarify?

Rishab Handa: To see the PLI scheme that we've been, you know that in fact, we've also worked very closely with the PMO to draft is going to be retrospective in nature, though we cannot confirm the same. Hence, we do feel that the investment that we have done so far in phase one should also be covered in the PLI scheme. It, you know, like I said, this is, there is no confirmation about it. The phase two expansion plan we project to do as and when the PLI is announced, but however, if for 1% the PLI is delayed, we would still go ahead with it. As of now, we haven't really, you know, outlined exactly where the funding would be coming in from, whether debt, whether equity, depends on how the company is performing at that point of time and whatever we feel is the most feasible option for us at that point.

Tarun Kumar: So, the one thing is that I was in economic times of today. There is a news about the AQI index of Region. We have a ongoing we have of two years back we are in a seminar we had actually announced the partnership for Air purifiers. But we have not seen any development post that. There are different categories which you had announced like government and other local bodies, which will be using for public infrastructure also, but there will be the home based office-based window were Purifiers also but we have not seen any information on that side could you kindly throw some light on that?

Rishab Handa: No, no. So, there are a lot of advancements that have happened in that phase as well, though by intent, we are not talking much about it till the time we have something substantial in place. However, I would like to mention that we have conducted an extremely successful pilot in IIT Delhi in Indian Institute of Technology, Delhi with these air purifiers being installed in various classrooms and as we speak today, you know the analysis is going on by a manual and OK Play together along with the government as well who has been involved in this. So, once we have clear results coming in from the pilot, we should be doing a press release and we'll inform you of the results and our way forward as far as this business is concerned.

Tarun Kumar: So, this will be for institutional indoor settings. What about the general consumer public?

Rishab Handa: There are a range of products which are meant both for personal as well as commercial applications.

Tarun Kumar: So, we are not moving ahead with the direct customer, the retail customer, what I need to say exactly because I see many other manufacturers have announced and are advertising also and but I don't see anything on those counts from OK Play where we are two years we have already made.

Rishab Handa: No, no, like I like I just mentioned that the products that we are currently co developing with man animal are both for personal as well as commercial applications.

Tarun Kumar: OK, so this is the process of certification and process of validation which is underway and post completion of that you are likely to give some announcements.

Rishab Handa: Yes, absolutely.

Tarun Kumar: One more thing was regarding the IPO for automotive divisions, which was any update on that?

Rishab Handa: That is also ongoing, that is ongoing, but it all depends on the market sentiment. So as of now we have put that on hold, though we may go ahead with that. It's clearly dependent upon market sentiments.

Tarun Kumar: That would be all from my side. Thank you.

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

Ashutosh: Sir, thank you for taking my question. So, you know in terms of your balance sheet, you have an approximate depreciated plant and equipment of about 100 crores plant and property on your books and the turnover has been, had just fallen down. So, what kind of asset turnover is that idea that you plan or you think that this entire setup can achieve with the current level of CapEx? That is question one and question two, there were big names in the presentation from Hamleys to First Cry, but when I went to visit one of these stores in eastern part of India, Hamleys store didn't have your product, and even some of the online platforms showed that it is all sold out or it is out of stock. Can you give some color to how you plan to further tap these tie ups and what is the size and scale that we can see this company achieve in the next 4 or 6 quarters? Thank you.

Rishab Handa: So, to answer your first question, the CapEx that we are doing today, which is largely into blow molded products should give us asset turnover ratio about 3 to 3.5x. This is what we're anticipating. And to answer the second question, you're right. OK Play, branded toys per say may not be visible in these stores because when I say that we're working with these companies, we're largely doing white labeling for them. So, we do a lot of private labels for First Cry, for Hamleys, for Amazon, wherein our name would come up only on the price tag below, which says manufactured by. They are largely branded under their private labels, so that is one part of our growth and the second where you see OK Play branded toys would largely be through our distributor network which caters to the general trade market as well as the institutions and by institutions, I primarily mean the schools daycares, those kind of, you know, target audiences. Now, as far as your uh, you know, question about where we see the toy business going 8 to 10 quarters down the line, that's a very good question and quite honestly, I'm not in a position to answer that right now because a lot of things are happening as far as the toy manufacturing space is concerned in India with the Indian Government, you know, being involved in kind of boosting this sector so as of now we have a very clear road map of two phases, phase one which is going to be completed this December and phase two which we plan to, you know kind of complete in the next financial year. And later from that point of view, we will kind of see, you know where we're headed, though what I can tell you is that even from today's numbers to where we plan to be by the end of next year, there is an extremely aggressive and exponential growth expected.

Ashutosh: Could you give some numbers to it or color to it?

Rishab Handa: Like I mentioned in the introductory call, from where we are today, so I see I'm not at the, you know, I cannot disclose numbers which are looking numbers as such. But what I can tell you is that we should be in our phase one itself at a 4X growth from where we are today.

Ashutosh: OK. And the historical these 100 crores on your balance sheet, the assets that you have, you said the new capers will do about 3.5 to 4 times. So, the historical asset is not as productive. They are not able to achieve.

Rishab Handa: The historical assets are obviously productive and they are ongoing as we speak today, however.

Ashutosh: Something else? I mean, they are not doing 3 to 3.5 to 4:00.

Rishab Handa: So that is they are the CapEx that we have today is also not just into blow molding, it's into different categories as well which has a different asset turnover ratio. I'm talking this mainly about the new investment that has happened so far and plus what is projected to happen.

Ashutosh: OK. Fair enough. That would be all from my side. Thank you.

Moderator: Thank you. The next question is from the line of Vishal, who is an individual investor. Please go ahead.

Vishal: Hello. Good evening, Sir. So, I have couple of questions on business as well as the financial front. So, my first question is Sir, why have been not grown in our auto segment and what is your resulting decline in sales due to such challenges we might have faced in the past some period?

Rishab Handa: So, see our automotive business is pretty much in line with how the commercial vehicle market performs because 75 to 80% of our business is plastic fuel tanks largely for the MHCV segment. And if you track the CV market, the CV market has not been doing as well as anticipated though you know the projection that we've received from these OEMs show that it should bounce back in quarter 4. But it's pretty much in line with how the CV market perform and like I mentioned in the introductory call, we also have some good visibility coming in from non-automotive companies where we've been working with companies

like Vestas and Indo cool. However, the numbers for those are going to come up in FY26 because currently we're in the sales of development with these companies.

Vishal: OK, sir my second question is, can you please throw some light on our air filtration business and that we are doing and what are the growth potentials in this segment, Sir?

Rishab Handa: So, like I mentioned previously to the other gentleman, the air filtration business is something that we are going to be talking about and doing a press release once we have complete clarity from the various pilots that are currently ongoing, there have been significant developments that have happened however, we are not talking much about it by intent. Once the pilot is over, which the pilot has completed and the results are announced, which is currently ongoing in IIT Delhi, we will surprise you of the development and our way forward.

Vishal: OK, Sir. OK. The one last question on financial fund, Sir, our base and working capital has increased, what exactly is the reason for that?

Rishab Handa: It's almost similar, they're just business the nature of the business and it's slightly gone down, but it's almost similar. There's not been any substantial increase or decrease in the working capital.

Vishal: Ok Sir, Ok. thank you. That's from my side.

Moderator: The next question is from the line of Jayesh from cash Capital. Please go ahead.

Jayesh: Hi, thanks for taking my question. I had couple of questions on the balance sheet side. So, our intangible assets have increased from 38 crores to 46 crores almost so what is this intangible effect such a high number?

Rishab Handa: So, you know, these are when we had transferred our automotive business at the end of quarter one, we have sold certain intangible assets to the automotive business at a profit. So, this is the intangible assets that have been transferred and hence slightly increased when they have been sold to the subsidiary.

Jayesh: OK. But the 38 crore number was already there as of March 24. So, what is that intangible asset?

Rishab Handa: These have been these have been various intangible assets that have been accumulated, so largely pertaining to our EV side of the business which currently is on hold.

Jayesh: OK, so I mean largely to be assumed that this has to be written off at some point in time?

Rishab Handa: No, no. It will not be written off, nothing is going to be written off from here. But however, these have been accumulated over, I mean it's not that it's something which has come up in the quarter. It's been there since quite a few years now, and it's been increasing.

Jayesh: Yeah. So that's the worrying part. So that's what. I'm asking why? Why?

Rishab Handa: So, the increase, yeah, the increase is something that I mentioned, which was a one-off case but. From now on, I mean we do not anticipate any intangibles to be increased.

Jayesh: OK. My second question is on the auto EV auto e-rickshaw, part of the business. I mean it's a very, very crowded market with players with very, very, you know, established distribution networks that we are competing with. So, what is our take on the business and are we because I think that business would be bleeding for us. So, are we?

Rishab Handa: Like how I had mentioned in my previous earnings call also you're right that business was bleeding for us. However, we put a hold to that business as of now. Right now, the entire focus of the management is to kind of grow the two sectors taking volumes which is our core strength, one being toys and the second being the automotive components. Along with that there is a lot of potential expected in the air filtration business, but that is something that we will talk about in detail when the time.

Jayesh: Right. Sure. So as of now are the operations for e-auto?

Rishab Handa: No, not as of now.

Jayesh: OK, OK. And my last question is on the inventories. I mean we have a substantially large inventory almost to the extent of six months. So. How much of this would be the EV part?

Rishab Handa: A substantial part of it is the EV part, which are largely motors, controllers and differentials that were being imported from China earlier, which are still sitting with us. However, if you track the inventory, it is reducing quarter on quarter and we should be back to normal course of inventory days probably in about two to ¾ quarters from now.

Jayesh: Which would be how many days

Rishab Handa: I mean as of now it is close to 180 days which should come down to about 60 days.

Jayesh: OK. So, ok you're saying it will so from 80 crores and of course there were turnarounds so, you're saying but do you think we'll have to because these are old inventories and pertaining to business, which we are as of now, you know not continuing, we'll need to take some write offs there.

Rishab Handa: So, see, these are all parts which are, I mean themselves, they can be sold individually as well, like the motor controllers etc. It need not be that they have to be sold, you know, through a to the medium of a product like e-rickshaw. So, it's not that anything has to be written off. It's just a decision that has to be taken. And accordingly, you know, liquidated.

Jayesh: So, when you are saying that you know you will return to normal inventory in couple of quarters that I would presume that decision has already been taken in terms of liquidating the individual parts.

Rishab Handa: We are still in the process of finalizing a few concludes, but yes, pretty much in place.

Jayesh: Alright. OK. Thank you so much. That's it.

Moderator: Thank you. As there are no further questions from the participants, I would now like to hand the conference over to the management from OK Play India Limited for closing comments.

Rishab Handa: Thank you so much for joining us today and we wish you all the best and we will be in touch with you in the next earnings call. Thank you.

Moderator: On behalf of OK Play India Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.